

JPRS-CRF-85-001

14 January 1985

# China Report

RED FLAG

No. 21, 1 Nov 1984

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## CHINA REPORT

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Translation of the semimonthly theoretical journal of the Central Committee of the Communist Party of China published in Beijing.

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<p>ERRATUM: In JPRS-CRF-84-023 of 10 December 1984, in article titled "The Tremendous Successes Attained in the Reform of the Rural Economic Structure" on page 79, paragraph 4, line 3 should read: ...Statistical Bureau, the per capita net income of peasant households was 309.8 yuan....</p>	



## ON SEVERAL QUESTIONS CONCERNING THE INVIGORATION OF ENTERPRISES

Beijing RED FLAG in Chinese No 21, 1 Nov 84 pp 2-7

[Article by Wang Renzhi [3769 1804 0037]]

[Text] The "Decision of the CPC Central Committee on Reform of the Economic Structure" pointed out: The fundamental objective of the reform is to build a socialist economic structure with Chinese characteristics that is full of vigor and vitality. Hence, the central link that we must firmly grasp is invigorating the enterprises. This thus brings out the essentials of the direction and the basic problem that must be solved in this highly complex reform of the economic structure.

In socialized production, the enterprise is the basic production and operation unit and directly bears the burden of developing the social productive force. In the enterprises, the worker makes use of various kinds of means of production to create wealth for society. Only in enterprises possessing full vitality is it possible for the entire economy to be brimming with life and for the productive force to develop rapidly. The defect of the economic system of our country is clearly shown in the state (including the central government and the local authorities) exercising too tight a control over the enterprises, particularly those enterprises under the system of ownership by the whole people, making the enterprises become in reality appendages of the administrative organs of the state. Our enterprises lack decision-making power in such matters as production, supply, marketing, personnel, finance and materials and whether the results are good or bad in production and operation has no direct relationship with the material interests of the enterprise and its staff members and workers. Under such conditions, the enterprise lacks not only the necessary power but also the powerful motive force to actively expand production and operation, improve production technique and quality of service, and raise its economic results. Even though the workers, technical personnel, and administrative cadres of an enterprise do possess a high technological and business level and administrative capacity, they can hardly put them to good use. At the same time, because the state's control over the enterprises is carried out through an administrative system and division of administrative zones, the departments and localities frequently form their own separate setups, demarcating and blockading each other. This breaks up the horizontal economic relations between the enterprises, impedes cooperation, unity, and even competition

between the enterprises, unavoidably leads to blind production and unnecessary redundant construction and impediment of circulation, and causes immense losses and waste. These drawbacks in the economic structure have restricted development of the productive force, making our country's socialist economic system unable to fully display its superiorities.

An important cause bringing about the above-mentioned defects of our country's economic structure is the lack of a correct understanding of the position of the enterprise in socialist economy and the refusal to acknowledge that the enterprise is a relatively independent economic entity, engaging in the production, operation, and handling of socialist commodities. The above-mentioned "Decision" abides by the basic theory of Marxism, sums up practical experiences in socialist construction, basically rectifies the various unrealistic traditional concepts concerning socialist economy, and lays a solid theoretical foundation for reform of the economic structure centered on invigorating the enterprises. This article will briefly discuss certain understanding from studying the related problems concerning the position of the enterprise in the realm of socialist economy.

## I

For a prolonged period of time, we have had an oversimplified understanding of the Marxist theory that socialist economy is an economy of planned development and have, starting from reality, failed to put it to good use and development, resulting in consciously and unconsciously refuting the independent character of an enterprise.

As both Marx and Engels pointed out, socialized production accompanying the development of the capitalist form of production objectively demands the carrying out of unified organization and coordination within the realm of society. However, the means of production are under the private ownership of the capitalists. In carrying out production and operation activities, the individual capitalists do not know the gross volume of social labor nor the gross volume of the social demand and its composition. As a result, the entire social production is in a state of anarchy. Abolition of the capitalist private ownership system and institution of the public ownership system of the means of production enable society to consciously organize production, enable the national economy to develop according to a planned proportion, and avoid the destruction and disaster brought about by the state of anarchy in production. This conclusion drawn by Marx and Engels, derived from their analysis of the objective laws and trend of development of capitalist economy, precisely corresponds with the reality of capitalist society and the correct nature of its basic contents is confirmed by the practices in socialism.

In the final analysis, consciously organizing social production implies the proportionate distribution, in a planned manner, of the gross volume of social labor among the various production sectors in accordance with social demand and its composition. Over the past several decades, experiences from actual practices in socialist states have shown that within a rather prolonged historical period of socialism, despite the institution of the public

ownership system of the means of production, society has still not been able to make a perfect estimate of the gross labor power of society and of the gross social demand and its composition. Let us look first at the gross volume of the social labor force. In the socialist stage, the development level of the productive force is still low, the original division of work is still not abolished, the differential between mental labor and manual labor still exists, the all-round development of each and every individual is still not realized and, as a result, a great disparity exists in the labor volume that can be expended by the different laborers, some relatively more and some relatively less. In the socialist stage, labor is still the means to earn a living. It has not become the first demand in life, and so each and every worker can at any time work to his fullest capacity. The extent to which each worker can display his labor capacity can be influenced by various factors and can differ greatly from his compatriots. Some can work better and some, not so well. Some can work better at certain times but not too well at other times. The material and technological conditions of production are highly variable. Given workers with the same labor capacity, their labor productivity rate is hardly alike. Because of the existence of these complex conditions, although society can know correctly the total number of workers, it cannot make a precise calculation of society's gross labor power, except by making a rough estimate of the amount of labor power subject to its disposal. Let us look next at the gross volume of social demand and its composition. Since society has only a rough knowledge of the gross volume of social labor power, it can know only roughly the gross volume of social demand which is determined by the gross volume of social labor power. Since social wealth is still not plentiful, society can only ensure that each person has the necessary means of subsistence but cannot satisfy the demand of each and every person for various means of enjoyment and means of development. Under such conditions, the actual needs of each person differ greatly from others. Some have a priority demand for certain means of enjoyment and means of development whereas some have priority demand for other means of enjoyment and means of development. Moreover, these needs will be continuously changing. Society can only accurately, comparatively speaking, know the demands of a portion of society whereas the demands of another portion of society cannot be estimated in advance. Thus, society's grasp of the composition of the demands of the whole society can only be very approximate.

From the above-mentioned objective conditions determined in the final analysis by the development level of the productive force, the following two points can be discerned. First, since there is a rough knowledge of the gross volume of social labor and also a rough knowledge of the gross volume of society's demand and its composition, then, relying on the public ownership system of the means of production, speaking in general, the state can, on the basis of the various factors already known, resort to various tactics to distribute labor, in a planned manner and appropriately, to different production sectors so that social production in general can realize a proportionate development. This is an important feature differentiating socialist economy from capitalist economy. Second, since it is still not possible to have a very correct grasp of the gross volume of social labor and of the gross volume of social demand and its composition, the

state should not endeavor to directly plan and control the entire course of production and should not endeavor to rigidly regulate all the economic activities of the production units, otherwise there will be dislocation from the actual conditions and it may bring about various consequences disadvantageous to the development of production. Regarding the latter point, people have long lacked an understanding, but have formed a mechanical and absolute concept about the planned development of economy under socialist conditions, indulging in the vain hope that, relying on the state's unified plan and vigilant control, the entire social production can function with the precision of a timepiece. This unrealistic concept of planning, as denoted in the economic system, consists of making efforts to embrace all socioeconomic activities, big and small, in the state plan, exercising a stranglehold over the enterprises, and causing the enterprises, in matters concerning production, supply and marketing, to become devoid of the necessary decisionmaking power and of the independent character which they should possess.

As for the various social demands which are complex, diversified, and forever changing, a thorough understanding of them cannot be attained by mere reliance on the strength of the state economic departments. Rather, to grasp them, it is necessary also to rely on the various enterprises themselves to display their own initiatives. The enterprises, on the one hand, receive the state's mandatory planning or guidance planning and obtain various kinds of economic information supplied by the state, and, on the other hand, through direct contact with the markets, can come to understand the conditions of social supply and demand to which they are closely related. Under the conditions of the enterprises having been endowed with the necessary decisionmaking power in production and operation, the enterprises, based on their own production conditions, can sensitively react to the changes in social demand and thus display their active role in realizing the demand of the proportionate development of the whole national economy. In other words, proportionate development, which is much needed for the normal progress of socialized production, requires not only that the state must carry out planning and coordination of the production of society but also that the enterprises must possess the necessary status of independence. Our country has a large territory and a huge population but we have poor communication facilities and lack the modern means of collecting, analyzing and transmitting economic information. Moreover, the degree of the socialization of our production is still at a low level, and much of our production and consumption has a strong regional character. Hence, it is all the more necessary to avoid an excessive degree of centralization and unification and all the more necessary to ensure that the enterprises have the necessary character of independence in production and operation.

The "Decision" further pointed out: "It is necessary to realistically understand that for a rather prolonged historical period, the general form of our national economic plan will be along broad lines and flexible in character." This thus rectifies the concept of a mechanized and absolute type of planning, refutes the method of procedure of seeking an economic plan that is all-inclusive, and provides an important pillar of support for contending that in the socialist economy the enterprises must possess a relatively independent character and for invigorating the enterprises.

## II

At one time, a viewpoint prevailed contending that since the means of production of enterprises under the system of ownership by the whole people belonged to the state, the latter, representing the whole people, should directly decide on all the economic activities of this category of enterprises and should therefore attend to their management and operation. Now, to reform the economic system and to enable the enterprises to be full of vitality, it is absolutely necessary to break this concept of refuting that enterprises under the system of ownership by the whole people should possess a relatively independent character.

The contention that since the means of production of enterprises under the system of ownership by the whole people belong to the state, all their economic activities should be directly managed by the state, is based on one big logical premise. This is that the power of ownership and the power of management are indivisible. Such a premise cannot stand. It is neither in conformity with the basic principle of Marxism nor in conformity with practice in socialism.

In "Das Kapital," Marx made an analysis of the state of separation between the power of ownership and the power of management under capitalist conditions. He pointed out the existence under capitalist conditions of two forms of separation between the power of ownership and the power of management. The first form was the complete separation between the power of ownership and the power of management, as in the case of the moneyed capitalists and shareholders who do not interfere with the management activities of the enterprises, being only the owners of capital and leaving the power of management of the capital to the functional capitalists. The second form was the separation, to a definite degree, of the power of ownership and the power of management such as the capitalists forming a board of directors which determined the operation guideline but left a hired general manager and his associates to handle the concrete production and management affairs. This being the case, in a socialist stage, and concerning an economy under the system of ownership by the whole people, can the power of ownership and the power of management be separated from each other? If separation is possible, what are the conditions which we must follow? The originator of Marxism did not and was unable to give us a definite and ready-made answer to these questions. However, Engels, in his letter to Bebel and in his article "Peasant Problems of France and Germany," did mention that following appropriation of the land of big land-owners, the state should transfer this land belonging to the state to cooperatives operating independently under the leadership of the state. He said: "As for under what conditions we should make this transfer of land, we are still unable to give any definite views at present." ("Selected Works of Marx and Engels," Vol 4, p 315) From these discussions of Engels on land owned by the state, we can derive the following conclusion: In an economy under the system of ownership by the whole people, the power of ownership and the power of management can, under certain conditions, be separate from each other; as for what the conditions are, they must be looked for in the experiences of actual practice in socialism.



As a matter of fact, in a socialist stage, it is impossible for the whole people to unite to jointly utilize and manage the ponderous volume of means of production owned by the whole people or to delegate the state as their representative to make use of, and manage, them. These means of production belonging to the whole people can only be given to the individual enterprises for workers, within the sphere of each and every enterprise, to unite together to use them and to manage them. In the past, the state had full control of much of the power of management and control which normally should be held by the enterprises. This kept in check the enthusiasm of the enterprises and their staff members and workers and at the same time put in the hands of the state's economic management organs many affairs which they should not control, could not control, and could not control well. As a result, there were such defects as issuance of blind orders, bureaucratism, and so on and so forth. They were the evil consequences of violating the objective demand that under an economy of the system of ownership by the whole people, ownership power and management power must be appropriately separated.

In a socialist economy under the system of ownership by the whole people, separation of the power of ownership and the power of management is different from that in a capitalist economy. In a capitalist economy, so far as the capitalist furnishing the capital is concerned, irrespective of by whom the capital is used and how it is used, his power of ownership is realized so long as he receives the interest thereon. But in our case, the relations between the state and the enterprise under the system of ownership by the whole people are basically different from the relations between the capitalist furnishing the money and the functional capitalist. A socialist economy under the system of ownership by the whole people must follow the demand of socialized production, and ensure the continuous growth of production so as to satisfy the needs of the material and cultural life of the whole people. In order to realize this objective, the state draws from each enterprise under the system of ownership by the whole people a portion of the net receipts for use in carrying out major construction projects, promoting and developing cultural and educational enterprises, giving financial aid to the economically backward areas, and providing relief to the poor. This is a solid expression of what the system of ownership by the whole people can realize. All this is necessary, but it is still insufficient. Since the economic situation as a whole is frequently out of the reach of the enterprises and the enterprises themselves can easily shape their activities in accordance with their own interests, it is necessary for the state, based on the interest of the whole people and the needs of the situation as a whole, to make comprehensive plans for economic development and, by means of various forms and means, exercise the necessary control and guidance over the enterprises so that the economic activities of the enterprises can conform with the demand of the basic economic laws of socialism and the law of planned development of the national economy. In other words, the state, as the owner of the means of production, must also hold a part of the power of management. Hence, seen as a whole, in an economy under the system of ownership by the whole people, the two powers cannot be wholly and sharply separated from each other.

The above is viewed from the economy as a whole under the system of ownership by the whole people. As for individual enterprises, the degree of separation of the power of ownership and the power of management is concretely determined in accordance with their position in the national economy and the differences in their functions. Generally speaking, in the case of enterprises carrying out tasks designated by mandatory planning, the degree of separation is smaller whereas in the case of enterprises carrying out guidance planning, the degree of separation is greater. Under the conditions of the state having in its grasp the life of the economy it is possible that in certain small enterprises under the system of ownership by the whole people the power of ownership and the power of management may be completely separated. The state does not fix any plan regarding their production and operation activities but may resort to other means to guide them to correctly use the means of production of the state. By so doing, would it be possible for certain enterprises to exercise their power of management in an incorrect direction? The possibility does exist. If, in the use of the means of production, an enterprise cares only for its own interests and neglects the interests of the state as a whole, or fails to fulfill its obligations to the state, or indulges in evil practices, then this would damage the image of enterprises under the system of ownership by the whole people. Nevertheless, a problem of this kind can be solved. Thus, through reliance on the material strength in the grasp of the state, on manipulation of economic tactics such as pricing, taxation, credit and loans, on the healthy state of economic legislation and enforcement of economic regulations, on the exchange and guidance of economic information, and so on, phenomena of this kind can generally be reduced to the minimum. Even though individual enterprises may erroneously use the power of management of the means of production thus leading to damage of the image of the system of ownership by the whole people, the state can still take administrative action to restrain it, such as withholding the power of management over the means of production of the enterprises, or reorganizing, closing, or suspending the enterprises concerned.

The "Decision" stated: "To make the economic activities of all enterprises conform to the overall requirement of economic growth, the socialist state institutions must manage, inspect, guide and regulate the activities of the enterprises, as is necessary, through planning and by economic, administrative, and legal means; it must use taxation and other means to concentrate in its treasury that part of enterprises' net income which should be used by the state in a unified way; it must designate, appoint, and remove the principal leading members of the enterprises or approve their employment and election; and it must decide on the establishment of enterprises, their removal to other places, their switching over to other lines of products, their merger with others, suspension of operations, or closing down." "On the premise of following the state plans and subjecting itself to state control, the enterprise has the power to adopt flexible and diversified forms of operation; plan its production, supply and marketing; keep and budget funds it is entitled to retain; appoint, remove, employ or elect its own personnel according to relevant regulations; decide on how to recruit and use its work force, and on wages and rewards; set the prices of its products within the limits prescribed by the state and so on." The

"Decision" clearly rectifies the traditional concept of mixing together enterprises owned by the whole people and enterprises directly run by state organs. On the one hand, in principle it provides that enterprises should possess the power of management; and on the other hand, in an overall manner, it points out the conditions and extent of the separation of the power of ownership and the power of management. This solves the problem which Engels mentioned but was unable to offer a solution for. It promotes the development of socialist political economy, and furnishes another extremely important pillar of support for invigorating the enterprises.

### III

Not recognizing the relatively independent character of enterprises under the system of ownership by the whole people and not giving them the production management right which they should have, aside from being related to the concept of the absolutism of planning and the concept of the power of ownership and the power of management being indivisible from each other, has still another important cause. This is the failure to understand that enterprises under the system of ownership by the whole people do possess their own relatively independent economic interests and failure to understand that they are producers and managers of socialist commodities.

In his "Critique of Gotha's Program," Marx pointed out that under the first stage of communism, that is the stage of socialism, distribution of consumer goods to the individual must follow the principle of distribution according to work, and close relations between the individual worker's material interests and his labor contributions must be established. However, in the socialist stage as conceived by Marx, the single individual's labor, from the very beginning, has become direct social labor, division of work is directly carried out between society and the individual worker, and the category of value and the monetary relations of commodities have never existed. Marx did not live to see with his own eyes the birth of socialism. Since Russia's 1917 October Revolution, the socialist system has been established and developed in certain countries. To date, it has a history of nearly 70 years. This has provided rich practical experience for the further understanding of a socialist society.

We can see that in any socialist country the condition, as envisaged by Marx, of the individual's labor completely and directly becoming social labor has never existed. Only under the conditions of the productive force having achieved the maximum development and the degree of socialization of labor having been greatly increased, can there be realization of Marx' concept of whole society becoming a "united body of free people," the direct union of labor on a whole society basis, and the individual's labor completely and directly becoming social labor. For human society to reach this level, the passing of a rather prolonged historical period will be necessary.

We can see that in line with the individual's labor not having completely and directly become social labor, and division of work, to a very large extent, still not being directly carried out between society and the individual, in between there still exists the link of the enterprise



possessing the power of management. The worker in the enterprise carries on production according to the principle of division of work and the resultant products represent the joint efforts of many workers. Hence, in assessing the labor contribution of each and every worker, it is necessary that society must make an assessment of the production and operation results of the whole enterprise. In order that the individual labor contribution of the worker is closely related to his material interests, it is necessary that the production and operation results of the enterprise are closely related to its material interests. Breaking the practice of enterprises eating from the same "big pot" at the expense of the state is the logical premise for breaking the practice of "everybody eating from the same big pot" within the enterprise. In other words, to carry out the principle of distribution according to work, it is necessary to admit that each enterprise has its own economic interests. In an economy under the system of ownership by the whole people, because the good or poor economic results of the enterprises are caused by the superior or inferior quality of their natural resources and production tactics, in principle there should not be an inequality in the income or receipts of the enterprises. But the high or low level in production and management of the individual enterprises as an overall indicator of the good or poor work done by the entire body of workers in an enterprise should bring along with it a disparity in the income or receipts of the individual enterprises. In the past, people habitually only emphasized that enterprises under the system of ownership by the whole people should protect the common interests of the whole people but neglected the fact that the enterprises also had the right to protect the economic interests that they should have and that they were relatively independent economic entities. This came as a result of a lack of understanding of the realistic conditions for realizing distribution according to work.

Since enterprises under the system of ownership by the whole people possess their own economic interests and are relatively independent economic entities, the principle of exchange at equal value should apply in their reciprocal relations, including the mutual transfer of products. If not, then between them the legitimate interests of one party will certainly be damaged whereas the other party will receive benefits which they should not have. It would follow that among the workers of the different enterprises the differences in their labor compensation can hardly meet the demands of the principle of distribution according to work. The principle of exchange at equal value is the principle of commodity economy. Observance of this principle in the relations between enterprises under the system of ownership by the whole people implies that they are reciprocally treated as commodity producers and commodity operators or dealers. Since in socialist economy, monetary relations of commodities extensively exist, the law of value will certainly play a regulatory role in the various sectors of production, circulation, distribution and consumption.

The "Decision" pointed out: "Socialist planned economy must consciously follow and utilize the law of value and constitutes a planned commodity economy built on the foundation of the public ownership system." This breaks the traditional concept of taking planned economy as opposed to commodity economy. It provides the most important pillar of support for changing the

economic structure which favors a high degree of centralization and unification and which places a simple reliance on administrative tactics and overlooks economic levers and regulation by market mechanism. It also provides support for enabling the enterprises, under the state's necessary control, guidance and regulation, to have decisionmaking power in management, to be responsible for their own profit or loss, and to display the utmost vitality.

The "Decision" abides by the basic principles of Marxism but is not bound by examples of its individual theories. It forms a union of the universal truth of Marxism with the realities of socialist construction in our country, creatively developing a Marxist political economy. "Socialism with Chinese characteristics must first of all be socialism in which enterprises are fully invigorated." This represents an important crystallization embracing rich contents derived from a scientific understanding of socialism. If we follow this direction in reforming the economic system of our country, then the enthusiasm, initiative, and creativeness of the million enterprises and their staff members and workers can certainly be fully displayed and a brand-new state of prosperity and development will surely emerge in the socialist modernization program of our country!

CSO: 4004/9

## ECONOMIC REFORM AND IDEOLOGICAL EMANCIPATION--TWO ITEMS OF PHILOSOPHICAL THOUGHT

Beijing RED FLAG in Chinese No 21, 1 Nov 84 pp 8-11

[Article by Gong Yuzhi [7895 5148 0037]]

[Text] After studying the "Decision of the CPC Central Committee on Reform of the Economic Structure," I found that it involved many questions. It is necessary to understand the spirit of this decision with relation to the theory of knowledge and philosophy. Here I would like to present some fragmented and immature ideas of mine in two passages as an introduction to further discussion with the reader.

Reevaluation [zai ren shi 0375 6126 6221] of Socialism

I think that the "Decision" has put before our whole party and our people the important task of reevaluation of socialism.

Why do we have to understand socialism anew? People are always carrying on practice and constantly enriching their knowledge. Thus the process of practice-cognition-further practice-further cognition will be going on forever.

One of the fundamental features of scientific practice lies in its always being related to certain theories, hypotheses, and concepts serving as its guides. Otherwise there would be no scientific practice but blind practice. Another fundamental feature of scientific practice is that it can go beyond the guidance of theories, hypotheses, and concepts. And all theories, hypotheses, and concepts are subject to verification by practice. In light of the result of practice, people modify the original theories, hypotheses, and concepts and develop them into new ones. This process of revision and development forms further cognition. People apply the result of further cognition, namely, the developed theories, to new practice, and continue to verify and develop the modified theories in new practice. Thus, practice progresses step by step and knowledge is enriched bit by bit in this cyclic process. Such a process is applicable to practice in the field of natural sciences as well as to the revolutionary practice of social transformation under the leadership of Marxist political parties.

It is necessary to repeatedly reevaluate socialism. The development of socialism from utopian into scientific; the first group of socialist countries to start the practice of socialist construction under the guidance of the scientific socialist theory; the emergence of various concepts, policies, and models in different fields of the socialist social life; more and more countries starting socialist practice in the wake of the daily expansion both in time and space of socialist practice; the aggregation of positive and negative experience; and the comparison between different types of experience--all these factors call for the reevaluation of socialism. Socialism will be a very long historical process in the development of human society. As long as the objective historical process of socialism has not come to an end, the process of reevaluation of socialism will not end either.

However, the task of reevaluation of socialism put forth by the "Decision" is of special significance in our regular and repeated process of reevaluation of socialism, because this task is being put forth after more than three decades of socialist practice. During this period, we have achieved great successes but have also suffered major setbacks, and have felt the urgent need of a careful revision of all the concepts, theories, policies, and models that have guided our practice in the past; we have achieved conspicuous success in the past few years after emancipating our minds, taking action to set things to rights, boldly forsaking some outdated concepts, and putting forth and implementing some measures of reform. And now we are ready to launch an all-round reform after a careful study of all the contradictions and shortcomings existing in our country's economic structure in light of all the advanced experience of foreign countries. Therefore, the current reevaluation of socialism is quite unusual in terms of its significance, thoroughness, and extent and in view of its well-planned procedure. For this reason, we may say that this task is of epoch-making significance in the process of our repeated reevaluation of socialism.

Reevaluation also means emancipation of the mind.

Emancipation of the mind is the precursor of economic reform. It is under the slogan of emancipation of the mind and seeking truth from facts put forth by the 3d Plenary Session of the 11th CPC Central Committee that we have carried out the great struggle of setting things to rights in accordance with the principle of practice being the sole criterion for verifying truth. The struggle to set things to rights was mainly aimed at rectifying people's ideological understanding which had been thrown into disorder by the unprecedented "Great Cultural Revolution." The task of setting our guiding ideology to rights has been completed from the 3d Plenary Session through the 6th Plenary Session of the 11th CPC Central Committee to the 3d Plenary Session of the 12th CPC Central Committee. However, the task of emancipation of mind has not yet been completed and will not come to an end. During the period from the 12th CPC National Congress to the current 3d Plenum, we have stressed the necessity of a reform of the economic structure and made preparations for the reform step by step. We are now ready to launch an all-round reform in a planned way. Reform means to destroy the old and establish the new, or more precisely, to break

through the old structure and set up a new one; and to forsake the outmoded concepts and adopt the new ones. The struggle to destroy the old and establish the new also calls on us to emancipate our minds and seek truth from facts in accordance with the principle of practice being the sole criterion for verifying truth.

The "Decision" points out: "One of the major reasons" why the superiority of our nation's socialist system has failed to be brought into full play "lies in the rigid economic structure that cannot meet the needs of the growing forces of production." The "Decision" gives a concise summary of the major shortcomings of this rigid economic structure. How did the original structure incorporating these shortcomings take shape? It took shape in the historical course of our nation's practice of socialist construction and on the basis of our original understanding of socialism. Then where did such an understanding come from? It originated from our past understanding of the socialist theory, from the influence of the foreign experience and models that we had emulated and copied in the past, and from the experience that we had summed up from our practice in the past, including the experience that we had obtained in the past from the public-run economy catering to wartime needs in our blocked, divided, and economically underdeveloped base areas, and the experience which we had accumulated in the course of the socialist transformation of capitalist industry and commerce and individual agriculture and handicraft after the founding of the PRC. This kind of understanding, influence, and summary of experience formed our original understanding of socialism which had predominated our practice of socialist construction for a long period of time. Many established concepts linked to such an understanding have been regarded as self-evident and perfectly justified.

To be sure, it was the objective and historical conditions that our old concepts originated from. However, this truthfulness is subject to justification by practice and our thinking should not be bound by them. We have now reached a new understanding after having engaged in the practice of setting things to rights and in reform for nearly 6 years since the 3d Plenary Session of the 11th CPC Central Committee. The fact that the superiority of socialism has not played a due role and our economic structure lacks the necessary vitality points out to us, as the "Decision" has noted, that "certain rigid concepts about socialism developed over the years were not in keeping with the actual conditions in China." Emancipating our minds from the trammels of all these rigid concepts, making clear why they are not in keeping with the actual conditions, and finding out what concepts will meet the actual needs are the very tasks of reevaluation of socialism that the "Decision" has put before us.

The "Decision" points out in concrete terms that:

"It is necessary to discard the traditional idea of pitting the planned economy against the commodity economy" and to scientifically understand the role of the planned economy in relation to the development of a commodity economy, the application of the laws of value, and the function of market mechanism.

It is necessary to get rid of the old practice of bureaucracy in planning work and set up a planning system featuring the integration of central control and flexibility.

It is necessary to break through the traditional understanding that "equates the concept of the ownership of the enterprise by the whole people with the concept of its direct operation by the state institutions" and to appropriately separate the ownership of the enterprise from its management in light of the actual conditions of socialist society.

It is necessary to break through the traditional concept that "competition is an exclusive phenomenon of capitalism" and to encourage competition under socialist conditions.

It is necessary to clear away a misunderstanding regarding the distribution of means of subsistence which holds that socialism means egalitarianism and getting rich together means getting rich synchronously; it is necessary to encourage some people to get rich first, and to implement the policy of enriching people one after another while taking the whole situation into consideration, and so on.

Practice has proved that the above and other concepts that have been accepted or invented by us over a long period in the past are simply wrong, partially wrong, or not in keeping with the changed situation, and that they are trammels to our thinking and stumbling blocks to the development of the social productive forces of our country. In order to carry out the reform, we must emancipate our minds, forsake these concepts, and replace them with new concepts. That is why the "Decision" says: "By citing the facts about reform, we should provide party members and the masses with lively education in the theory and policies of the reform and help them realize that socialism with Chinese characteristics should be full of vitality, different from the rigid pattern of the past and fundamentally different from the capitalist system. This will deepen their understanding of scientific socialism so that they devote themselves to making reforms."

#### The Issue of Affirming and Negating in the Process of Reevaluation

Then, by emancipating our minds and reevaluating socialism, do we mean to negate our original understanding of socialism and to forsake it as a completely wrong understanding?

Here we encounter a question of how to interpret "negation." The interpretation of "negation" based on the concepts of metaphysics and relativism means to simply forsake the old understanding. "Negation" in the eyes of Marxists who adhere to the dialectic materialist and historical materialist viewpoints means to "negate the outmoded concepts while acknowledging their role as an intermediate link in the process of development and retaining their positive ingredients." ("Collected Works of Lenin," Vol 38, p 244)

There is a two-fold relationship between the new and the old and between the revised and the original understandings. The two aspects of this relationship

are always intricately mixed together. The process of reevaluation is an ever-developing process through numerous acts of cross affirmation and negation of one's understanding based on one's practice.

The affirmation-negation relationship between the new and the old concepts has a different nature and various forms under different conditions at different stages of the development of understanding.

The affirmation-negation relationship between the old and the new concepts in the course of development from utopian socialism to scientific socialism acknowledges the historical position of utopian socialism, and agrees to the criticism of some aspects of the old society and to some of the ideals of the new society embodied in utopian socialism; but it negates the theoretical basis of utopian socialism, the idealistic conception of history embodied in it, and the impractical way of realizing social ideals suggested by utopian socialism.

Scientific socialism and people's interpretation of this doctrine have developed along with practice and have undergone repeated leaps in the process of cognition. These leaps are another form of reevaluation. There is also an affirmation-negation relationship between the old understanding and the new understanding which emerges after a leap in the process of cognition. But this relationship has a nature different from the above-mentioned one insofar as it does not negate but affirms the scientific basis of the original understanding. It just negates part of the original understanding which has been proved incorrect or partially incorrect. It replaces some one-sided concepts in the old understanding with more comprehensive ones, some superficial concepts with more in-depth ones, some vague concepts with clearer ones, and some utopian concepts with more practical ones. The "Decision" requires us to break through certain rigid concepts about socialism that have developed over the years and have been proved not in keeping with the actual conditions in China. In brief, this is the very type of negation and replacement that the "Decision" means.

To put it in concrete terms, those concepts which the "Decision" requires us to break through can be roughly divided into three categories, namely, the interpretation of the socialist ownership system, the interpretation of the socialist relations of distribution, and the interpretation of the planned economy. The intrinsic feature of the socialist economy lies in the public ownership of production means, the principle of distribution according to work, and the planned economy which is aimed at fulfilling the people's material and cultural needs and ensuring a balanced development of production on the basis of public ownership. All these are the basic concepts of Marxism which provide a scientific basis for the socialist theory. By calling for a breakthrough in concepts, the "Decision" of course does not mean to negate all these basic concepts and the scientific basis of the Marxist socialist theory. The public ownership of production means as an element of socialism must be upheld. What we are going to negate is the one-sided way to understand this concept in terms of absolutes, for example, the practice of equating the concept of ownership of the enterprise by the whole people with the concept of the operation of the enterprise by the



state institutions and that of pitting the main body of the socialist economy against other economic forms which are necessary complements. The socialist principle of distribution according to work must be upheld, only the utopian and egalitarian ideas in the understanding of this socialist principle of distribution have to be negated. The socialist planned economy must be upheld, only the concept of pitting the planned economy against the commodity economy which is not in keeping with the actual situation must be discarded, and that impractical illusion must be forsaken, which holds that the planned economy, as an equivalent to command plans, should cover everything. By and large, only the unscientific understanding of socialism is to be negated. And, through this process of negation, we must clear up, correct, and deepen the scientific understanding of socialism and enrich and develop the scientific socialist theory.

Therefore, the affirmation-negation relationship embodied in the process of development of socialism from utopian stage to scientific stage is in the main a relationship between scientific understanding and unscientific understanding. The affirmation-negation process embodied in scientific socialism and the development of people's interpretation of scientific socialism is a leap in the process of cognition, in depth and to a higher level, of an overall scientific concept, with certain unscientific ingredients in itself or in people's interpretation of it removed, and with many new ideas added.

We state that the Marxist socialist theory is a scientific one and a truth. The reason why we say so is because its basic principles have already been proved by practice. However, a truth takes time to be proved and it must be constantly enriched and developed. Both the full description of scientific socialism and people's interpretation of this theory based on their practice contain some unscientific component parts on the one hand and, on the other, have by no means exhausted the whole truth. The scientific socialism theory is always developing in the process of repeated negation of the existing and emerging unscientific interpretations of socialism and in the course of deepening and enriching the scientific interpretation of socialism.

When discussing the affirmation-negation process in the development of understanding based on the history of development of natural science, I had put forth a viewpoint, holding that the affirmation-negation relationship between old and new understanding can be divided into several basic patterns, first of all into two basic patterns. "The first basic pattern is that the new cognition repudiates (negates) the basis of the old cognition, replaces it with a new one and, at the same time, carries forward (affirms) some individual and correct parts of the basic principles embodied in the old cognition. The second basic pattern is that the new cognition retains (affirms) the basis of the old cognition but gives up (negates) some wrong parts of its basic principles and replaces them with new and correct principles; or overcomes (negates) the one-sidedness, superficiality, and limitations of the old cognition, and further develops it into a new, comprehensive, in-depth, and universal theory. Either affirmation-negation pattern is a qualitative change and a leap in the process of cognition. But



they are different types of qualitative change and leap." I have made specific analyses of the history of the theory on the solar system and the history of the phlogiston theory and the caloric theory. In my opinion, the relationship between Ptolemy's geocentric theory and Copernicus' heliocentric theory can be classified as a case of the first pattern of affirmation-negation relationship; while the further development after the founding of Copernicus' theory--from Copernicus to Kepler, then from Kepler to Newton--is of the second pattern of affirmation-negation relationship. Similar classification can be applied to the case of the relationship between the phlogiston theory and the oxidation theory and between the oxidation theory and the further development of chemistry, as well as to the case of the relationship between the caloric theory and the theory of heat and between the theory of heat and its further development. "In general, the relationship between the theory of a branch of science at its primitive stage of development and the theory that provides a scientific basis for the studies in this field can be classified as the first basic pattern. After the theory that correctly reflects the basic relationship embodied in the matter is established and the scientific basis for the studies in the field is laid down, the affirmation-negation relationship between a stage and its following stage in the process of further improvement and development are largely of the second basic pattern."

In light of the history of the development of the socialist theory, I think that this classification is also applicable to the studies of social sciences.

Upholding the socialist road and the theory of scientific socialism is completely in keeping with the reevaluation of socialism. They by no means contradict each other because the reevaluation that we mean here is not of the first basic pattern but of the second basic pattern of affirmation-negation relationship between the new and old cognitions. We may deviate from the right track of scientific studies and get lost if we equate the second pattern to the first one, insisting that the process of reevaluation class for repudiating or forsaking (negating) the original basis of cognition. Without recognition of the existence of the second pattern of the affirmation-negation relationship, scientific cognition will be impaired by the unscientific ingredients embodied in one's interpretation of this cognition and will not be able to make any progress but be always stuck at a certain level.

CSO: 4004/9

SUM UP EXPERIENCE, CONTINUE TO DO A GOOD JOB IN PARTY RECTIFICATION

Beijing RED FLAG in Chinese No 21, 1 Nov 84 pp 12-15

[Commentator's article]

[Text] The CPC Central Committee made public the "Decision on Party Rectification" a year ago. According to this decision, the whole party has carried out party rectification in stages and batches. In the course of 10 months and more since the beginning of last winter and this spring, the first-batch party rectification has been smooth and healthy, and remarkably successful.

In reference to the unification in ideology, ideology has been all the more unified in party, government, and military leading organs at upper levels, and the whole party has further emancipated minds. Units participating in the first-batch party rectification are mainly various ministries and committees under the central authorities and leading organs at top level in various provinces, autonomous regions, municipalities and the army. These organs are taking up the heavy responsibilities of drawing up and implementing the important principles and policies of the party and state; therefore, to further establish the ideological and political line through party rectification will be a matter of first importance in enhancing and improving the party's leadership. Through studying the decision on party rectification and other documents concerning party rectification and restudying the "Resolution on Certain Questions in the History of Our Party Since the Founding of the PRC," the party members of these units have thoroughly negated the "Cultural Revolution" in their ideological understanding, earnestly eradicated the influences of "leftist" ideas and the remnants of factionalism, and consolidated unity. With regard to professional guiding ideas, they have focused on clarifying three questions: First, the basic task in the socialist stage is to develop social productive forces, and the central task for the whole party is to carry out socialist modernizations, and to make the country rich and powerful and the people prosperous; second, in order to accelerate socialist modernizations, it is imperative to resolutely implement the policy of making the economy at home lively and opening up to the outside world; with regard to economic structure and state organs not suitable to the development of productive forces, reform must be carried out resolutely and steadily under the leadership of the central authorities; and third, all departments, all professions and trades, and all fields must establish the concept of being subject to and serving the four modernizations,

and take into consideration their own work principle and orientation centering on the goal of quadrupling the annual gross industrial and agricultural output value by the year 2000.

Regarding consolidating work style and enhancing discipline, a number of cases of grave bureaucratism and abuse of power for personal gain which have brought about heavy loss to the party and people have been examined and handled. Those criminal elements who have violated the penal code have been dealt with in accordance with the law. Most of the problems of cadres who are party members making work arrangements for their own children through the back door and occupying more floorspace in their lodgings than they deserve have generally been or are being solved in the spirit of simultaneous rectification and correction of defects. In the course of comparing examination, the leading cadres who are party members of many localities and departments have repeatedly solicited opinions from among the masses; they have actively carried out activities of heart-to heart talks and criticism and self-criticism, gone down to the grassroots units, and immersed themselves among the masses to carry out investigation and study to solve problems emerging from insider party and professional work. Such changes in the style of leadership were rare in the past. Through systematic education in the basic knowledge of the party, and the party's line, principles, and policies, and unfolding ideological work on a mass basis, the political quality of the party members has greatly improved, their faith in striving for communism has been strengthened, their party spirit and sense of discipline have been enhanced, and their conscientiousness in bringing into play their vanguard and exemplary role in their work has been consolidated. These changes find more obvious expression in those party members who have been recruited since the "Cultural Revolution" and some party members who were middle-of-the-roaders.

With regard to purifying the organization, investigation has been made in depth concerning the small handful of people who rose to prominence and who followed the Lin Biao and Jiang Qing counterrevolutionary cliques, who have serious factional mentality, and those elements who indulged in beating, looting, and smashing, and special attention has been attached to preventing those "people of three categories" from worming their way into the leading bodies. At the same time, the observation, examination, selection, promotion and training of outstanding middle-aged and young cadres have been enhanced, and the building of the "third echelon" of the cadres contingent has been promoted. The units undergoing party rectification have done a large amount of down-to-earth, meticulous work in investigation and in collecting evidence in examining those "people of three categories" and other elements who oppose and have caused injuries to the party. Despite the complicated situation and considerable resistance, marked progress has been made. Many units started with investigating important incidents and cases during the "Cultural Revolution," and have uncovered a number of persons who cruelly persecuted cadres and the masses and have been well concealed. The leading bodies of some units which have been usurped by "people of three categories" or thrown into confusion are being dissolved and thoroughly reorganized after things have been clarified there. Some "people of three categories" who insist on their reactionary stand and continue to make trouble are dealt

with in accordance with the party's discipline and the law. At present, the investigation of "people of three categories" is developing in breadth and depth, and the task is still rather heavy.

Before the current party rectification began, comrades in and outside the party were worried about two aspects: First, they worried whether party rectification would repeat those "leftist" errors prevalent in previous political campaigns, whether it would impede continuing implementation of the basic policy of making the economy at home lively and opening up to the outside world, and whether it would sabotage the excellent situation brought about by the series of efforts since the 3d Plenary Session of the 11th CPC Central Committee; and second, they worried whether superficial work would be done in party rectification, which would eventually be of little help in solving problems. The practice of party rectification over the past 10 months and more has proved that the first-stage party rectification has made important achievements due to the correct guiding idea, correct principles and policies, and correct steps and measures stipulated by the party Central Committee, and the earnest implementation of the decision on party rectification on the part of party members and party organizations at all levels. The current party rectification has successfully avoided "leftist" errors prevalent in previous political campaigns. It has not created tension in which everybody is anxious about impending danger; on the contrary, it has activated democratic life inside the party, enhanced the party's democratic centralism, and brought forward the initiatives and spirit of blazing new trails for party members. It has not resulted in social turbulence, affecting stability and unity; on the contrary, it has developed an active and lively atmosphere in the national and social political life, with many friends and masses outside the party actively criticizing and making proposals to party committees and governments at all levels. It has not impeded the implementation of the party's policy of making the economy at home lively and opening up to the outside world; on the contrary, it has greatly promoted opening up to the outside world and the reform in the economic structure. This year, an excellent situation, rarely seen in the past, has emerged in the harmonious development of the national economy, which owes much to party rectification work. The current party rectification has initially summed up the experiences of consolidating and building the party in the period of socialist modernizations, and has found some of the principles and methods for solving contradictions and problems within the party. Even now, we can already see the following three characteristics:

First, special attention is attached to solving problems in ideology. This is a revival and development of the fine tradition of the Yanan rectification campaign, and also an important experience in the party consolidation and construction in the period of socialist modernizations. Regarding a correct advocacy and policy, it is necessary to allow people to understand and accept them through their own thinking and practice. As people differ in their ideological and theoretical cultivation and in their experiences, there are different views and opinions among them. Some comrades have long been affected by "leftist" influences, which have formed in their minds many conventional rules and regulations; and it is unavoidable that they will fail to suit themselves to, or get used to, or catch up with the changed

condition. All this is not so strange and cannot be entirely avoided. Regarding some erroneous views concerning the understanding of the reform in the rural and urban economic structure, the current party rectification has persisted in the principle of enlightenment, and focused on ideological and factual education, in particular, on unfolding the education in thoroughly negating the "Cultural Revolution," which enable the party members and cadres who are party members to be further emancipated in ideology and feelings from the bondages of "leftist" errors of the "Great Cultural Revolution." Thus, their conscientiousness and resolution in implementing the party's line, principles, and policies since the 3d Plenary Session of the 11th CPC Central Committee have been greatly strengthened. Even if a few comrades are not convinced for the time being, they are allowed to reserve their opinions, and they will continue to be observed and tested in practice. We have entirely changed the erroneous practice of regarding ideological understanding as a problem of political stand, and struggle between two political lines, and relying on mighty political pressure and punitive means to reach unanimity by force as in the case of past rectification campaigns. In fact, such practices would only injure the reputation of party rectification, sabotage the prestige of the party and the normal inner party democratic life, injure the comrades and dampen the initiative of party members. The correct practice of the current party rectification has achieved good results, and has solved the biggest problem of unifying the ideology of the whole party on going in for the four modernizations heart and soul. The Yanan rectification campaign unified the ideology of the whole party, and laid an ideological foundation for the nationwide victory of the new democratic revolution. The unification in ideology through the current party rectification will certainly lay a solid ideological foundation for building China into a prosperous, democratic, and civilized socialist country with Chinese characteristics.

Second, in practice, "mass movement" with much hue and cry and other "leftist" ways have been relinquished, criticism and self-criticism have been correctly unfolded, and frank and sincere heart-to-heart talks have been carried out between comrades, while the aim of simultaneously deepening understanding and uniting the comrades is achieved. In party rectification, we have persisted in relying on the revolutionary consciousness of party organizations and party members to solve inner party problems through truth-seeking criticism and self-criticism without exaggeration. With regard to the ideological problems revealed and opinions aired by party members, the policies of refraining from labeling, attacking with big sticks, seizing on mistakes, and keeping a record in one's file, and of allowing the withdrawal, correction, and reservation of one's opinions has been implemented. Regarding those party members who have committed mistakes, their cases have been appropriately handled on the basis of making a thorough investigation of the facts, and the erroneous practice of violating personal freedom, humiliating one's personality, and involving the friends and relatives of the person concerned has been thoroughly abolished. We have persisted in simultaneous rectification and correction of defects, in order to continuously heighten the confidence and initiatives toward party rectification of the party members and the masses. We have all along laid stress on the exemplary role of the leadership in carrying out all items of party rectification work, so

as to promote party members who are leading cadres to display their exemplary role and to bring into play the role of the party members and the masses in supervision. All these correct, down-to-earth, and efficient practices have really implemented the basic principle of the current party rectification that while it is necessary to solve problems, we should not make a mess of the situation, and has ensured the healthy growth of party rectification work.

Third, all units undergoing party rectification have carried out all-round party consolidation in accordance with the basic tasks, principles, policies and method stipulated by the decision on party rectification, starting from the actual conditions of one's own unit in close cooperation with the central tasks of the party and state; and they have persisted in closely linking party rectification work with economic work and other professional work, and in making overall arrangements to promote the development of each field of work. Comrade Deng Xiaoping has said that from now on, with the exception of outbreak of war on a large scale, we should go in for the four modernizations with single-hearted devotion, despite any interferences. Comrade Hu Yaobang has proposed that "the whole party bring forward economy, with economy testing the results of party rectification," which has profoundly indicated the relation between economic work and the reform in the economic structure at present. The superstructure should serve the economic base, and all work of the party should serve the four modernizations. The building of the party is closely related with the party's political line. In the new historical period of socialism when economic work has already become the core of all party work, it is obvious that party rectification, as in other fields of work of the party, should not deviate from economic work, the center of all work.

The three characteristics mentioned above are precisely the important experiences which have led to the success of the current party rectification. However, it is necessary for us to see that the development of various units undergoing party rectification is imbalanced. The party committees and party groups in some localities and units have been weak in their leadership of party rectification work; they have not aimed at a high standard, have not been strict with their requirements, and have failed to achieve the due results. In some units, the problem of unifying ideology has not been solved, and differences in understanding are still comparatively conspicuous. Some comrades there, in particular some responsible comrades in leading posts have not yet rid themselves of the bondage of "leftist" ideas and old habits and rules and regulations formed over long periods in the past; they are not willing to, or are not good at analyzing their own experiences accumulated in the past by means of dialectical materialism, and they have failed to see that some of their experiences are erroneous, and must be rejected; even their successful experiences, some of which have failed to suit the new conditions and the new situation, should be replaced by new experiences and new methods. The leadership of some units has been weak, or has committed some kinds of mistakes; therefore, they have not been powerful enough in conducting investigation and the handling of serious cases of abuse of power for personal gains and bureaucratism, and the trend exists of turning big problems into small problems, and small problems into no problems at all.



In other units, the work in investigating and examining "people of three categories" has made little progress, and the work of selecting and training the "third echelon" has not been grasped firmly, because of the disputes in understanding within the leadership, or the interference of factionalism. In still other units, those comrades who made some general mistakes during the "Great Cultural Revolution," and who have made a comparatively good job in examining themselves are not being boldly extricated from their predicament and employed, which in turn has affected giving play to their initiative. Regarding the various problems mentioned above, we should by no means treat them lightly on the ground that the general situation of party rectification is fine. It is imperative to adopt powerful measures to mend the situation and solve the problems in earnest. With regard to those units which have done a comparatively good job in party rectification, it is necessary for them to continue to enhance leadership in fulfilling the tasks of first-stage party rectification in an all-round way from start to finish with a high standard and good quality. Only then, will we be able to consolidate and develop the achievements made in party rectification, to correctly and resolutely implement the decision on the reform of the economic structure adopted by the 3d Plenary Session of the 12th CPC Central Committee, and push forward the development of the current excellent situation.

The first-stage party rectification over the past 10 months and more has brought a good beginning to the current party rectification. With the experiences gained in the first-stage party rectification, units to undergo the second-stage party rectification in the next 2 years will just have to make serious plans, give careful guidance, and be strict with the requirements; and it is expected that the results will be better than in the first stage, and more new experiences will be provided for the consolidation and building of the party in power in the new historical period. When the party in power is consolidated, and gives full expression to the interests and will of the people, the continuity of the party's line, principles, and policies which the people have faith in will be ensured; and the normal democratic life in and outside the party and the stability and unity of the whole party and society will be safeguarded. In this way, our great cause of socialist modernizations will continue to create new situations, forever surging forward like the Chang Jiang.

CSO: 4004/9

WHY IS IT THAT CURRENT YEAR PRICES SHOULD NOT BE USED TO CALCULATE THE ECONOMIC GROWTH RATE?

Beijing RED FLAG in Chinese No 21, 1 Nov 84 p 15

["Readers, Writers, and Editors" column by Zhu Qingfang [2612 1987 5363]]

[Text] Since this journal published statistical data in a column on the great achievements in economic and social development during the 35 years since the founding of our country, we have received letter after letter from our readers questioning the indexes on the economic growth rate published in the column. We asked Comrade Zhu Qingfang to explain this for your reference.

The comprehensive indexes on the gross social output value, the gross industrial and agricultural output value, national income, and so forth all use the form of value to reflect the quantity of material objects. There are three methods of calculation, namely, calculation according to current-year prices, calculation according to base-year prices, and calculation according to comparable prices. Each method has its own application. Using current-year prices reflects the actual state of affairs in the current year, and thus facilitates a horizontal comparison between various departments in the current year. As this method of calculation fails to exclude the factor of changes in prices, it is impossible for us to use it to calculate the economic growth rate in different years. In order to exclude the factor of changes in prices from the calculation and in order to correctly reflect the rate of increase in the quantity of material objects, we should use indexes which are calculated in base-year prices. Since the founding of the PRC, we have used 4 different years as the base year for prices in our calculations, but these prices are not comparable either. For example, the figures which were calculated with 1980 as the base year cannot be compared with the figures which were calculated with 1970 as the base year. We must use a price coefficient to convert base-year prices into comparable prices or indexes with fixed bases and then we can carry out comparisons between years and time periods. The value indexes in the figures published by RED FLAG in its column "Great Achievements in Economic and Social Development During the 35 Years Since the Founding of Our Country" were calculated according to current-year prices while the economic growth rate was calculated according to comparable prices. For example, if the gross industrial and agricultural



output value in 1983 had been calculated according to current-year prices, it would be 19.8 times that of 1949. Because this figure does not exclude the factor of changes in prices, it cannot reflect the actual state of affairs. The statistical data published in RED FLAG No 9 were calculated according to comparable prices, that is taking 1949 as 100, the index with fixed bases for 1983 was 2,022.2 percent--20.2 times. This figure reflects correctly the actual growth rate of the quantity of material objects.

CSO: 4004/9

ON SEVERAL QUESTIONS CONCERNING THE STANDARDS FOR SELECTION AND USE OF PERSONNEL

Beijing RED FLAG in Chinese No 21, 1 Nov 84 pp 16-17

[Article by Gu Zhirui [6253 1807 3843]]

[Text] There is no principled controversy over the central leadership's policy for making the ranks of cadres more revolutionary, younger in average age, better educated, and more professionally competent. However, different understandings and viewpoints still exist in the implementation of this policy. This has led to partiality in the appointment of cadres in some places. In order to correctly carry out the central leadership's policy for appointing cadres, as I see it, we should pay attention to the following issues:

1. It is necessary to thoroughly cast off the yoke of "leftist" and outmoded ideology and take a new point of view in the matter of appointing cadres. Through efforts to combat "leftism" in recent years, our party has effectively emancipated people's minds and has ensured the better implementation of its current policies. But "leftist" and outmoded practices have not been properly changed in organization and personnel departments. For example, when assessing a cadre, they pay too much attention to his seniority but neglect his actual work performance; they are used to selecting candidates for a higher position from among party cadres and government cadres, but are not good at selecting suitable and competent candidates from among intellectual cadres; they prefer cadres who are obedient and overcautious and are not willing to promote open-minded cadres who have a pioneering and innovative spirit. Moreover, some comrades still cherish factionalist and sectarianist ideas when handling personnel affairs, and take their personal feelings as the criteria for appointing cadres. The central leading comrades recently pointed out: "Without breaking down old thoughts and conventions, we will not be able to discover competent cadres and to make proper appointments. This will certainly drive our personnel work into a difficult position." Therefore, our comrades who are engaged in organizational and personnel work should first thoroughly repudiate the "Cultural Revolution," cast off the yoke of "leftist" ideas, do away with outmoded thoughts and conventions, firmly orient their organizational and personnel work to the party's general task and goal, and promote and appoint thousands of outstanding people to leading posts in our modernization construction.

2. It is necessary to correctly analyze the opinions of the masses. We should follow the mass line when appointing cadres. Now, the methods of mass recommendation of candidates and opinion polls are concrete demonstrations of the mass line. However, the opinions of the masses should be carefully analyzed so as to sift the true from the false and to draw a correct conclusion. It is hard for cadres who dare to break new ground to prevent all oversights and mistakes in their efforts to reform outmoded conventions and explore new ways, so they are likely to cause some complaints among the masses. When dealing with these cases, comrades in the organizational or personnel departments should have a correct view of the main aspects of these cadres, especially their ability to advance their undertakings, and should warmly help them overcome their shortcomings. They should not take a nitpicking attitude or give partial credence to gossip without analyzing people's opinions. Otherwise, they may hinder the promotion of talented people. In our everyday lives, we often hear people's gossip about some new cadres' "impetuosity," "arrogance," and "opinionatedness." The people in charge are always dubious about the ability of these new cadres, and drag on their decision to promote these cadres with endless discussion. Gossip of this kind should be seriously analyzed. For example, a newly appointed secretary of a prefectural party committee, who is in his 40's, proved himself competent in his work, but people often gossiped about his "impetuosity" and "imprudence," because he requires people to work more efficiently and sets higher demands on people's work. On careful analysis, people's complaints just prove the merit of this cadre. Our comrades in the organizational and personnel departments should warmly support cadres of this kind, do them justice, and encourage them to boldly go ahead with their work.

3. It is necessary to boldly appoint controversial figures who are potentially competent to key leading positions. It is natural that people may make different or even conflicting comments on a new cadre, because they approach things from different points of view. Sometimes, this may give rise to controversy. In dealing with these cases, party organizations, especially the party's organizational and personnel departments, must not give partial credence to one-sided opinions; instead, they should seriously analyze the reason and essence of the controversy so as to accept the correct and turn down the incorrect. If they have made sure that a cadre is not suited to the new post, they should retract the decision to promote him. However, if a cadre proves to be well qualified and to have great potential, even though some of his nonessential problems have caused controversy, they should justly and resolutely bolster him up. For example, a newly appointed vice mayor acquits herself splendidly in her work and is praised by the masses. But a small number of people once attacked her by exaggerating some problems in her private life many years ago. The party organization concerned, upon finding out the facts, has criticized the erroneous act of the small number of people, and supported the correct opinion.

4. It is necessary to correctly treat comrades who committed mistakes during the "Cultural Revolution." We must resolutely carry out the central leadership's principle of weeding out "people of three categories." The central leadership has also laid down a clear policy for treating people who

committed serious mistakes during the "Cultural Revolution" and whose political quality is not good. We should treat them fairly and give them necessary help. At present, an important issue is how to correctly treat people who have committed minor mistakes. The "Cultural Revolution" was incorrectly launched by the leader and was capitalized on by counterrevolutionary cliques. It drew the nation into a 10-year turmoil which was a serious disaster to the party and the people. Under such special historical conditions, it is unavoidable to say and do something wrong. We should adopt a correct and realistic approach to analyze the reasons and characteristics of the mistakes. People who committed minor mistakes, said and did something wrong are only required to make earnest self-criticism and seriously draw a lesson from their past experience. So long as they have done so, we should continue to trust them and help them cast away mental burdens. Their cases should be wound up as soon as possible rather than dragged on endlessly. Work should also be assigned to these comrades. In particular, cadres who have real ability and learning and meet the four requirements should also be appointed to key positions. For example, in a county, a young intellectual who graduated from university in 1966 was influenced by the "leftist" thoughts in the initial stage of the "Cultural Revolution" and rudely treated a leading cadre at a "struggle meeting," because he gave blind credence to a mass organization's criticism of this cadre. Afterward, despite his repeated self-criticism, he was not forgiven by the local people. After making careful investigations, the department concerned ruled that the young man should be pardoned for his temporary wrongs, and appointed him to a position where he may display his specialty. Correctly treating comrades who committed minor mistakes during the "Cultural Revolution" is a major policy which can arouse the initiative of a large number of cadres.

5. It is necessary to readjust the overall structure of leading bodies and reasonably appoint competent and qualified cadres. In the ranks of our cadres, there are two kinds of people: The first category includes professional and technical cadres who are proficient in professional and technological work; and the second category includes party and administration cadres who are capable of management and organization work. Both types of cadres are indispensable in our modernization drive. When reorganizing leading bodies of localities, departments, or units, we should ensure that both types of cadres are included in the same leading body which can thus have a reasonable structure. According to some localities' experience in forming leading bodies, especially those in economic departments, the reasonable proportion of organization and management cadres to professional and technical cadres should be about 4 to 6. At present, the main problem is a lack of competent cadres who have a good command of macroeconomic knowledge and who are proficient in business management. This state of affairs is not suited to the tasks of opening up to the outside world and enlivening the domestic economy. It is the result of our previous neglect of cultivating and promoting cadres of this type. Now some leading bodies and departments have noticed this problem and have taken some concrete measures to solve it. This is completely necessary.

6. It is necessary to change the secretive style of work in cadre appointments. The work of appointing cadres should follow the mass line. More channels should be opened in order to discover competent cadres. Localities have adopted a variety of methods: Cadres and mass representatives recommend qualified people by secret ballot; experts and professors are invited to recommend qualified people; qualified candidates are discovered in the forefront of production and in research institutes, are selected among outstanding enterprise party committee secretaries, factory directors, and managers, and are selected among progressive and model figures. In short, the organization and personnel departments must be flexible and change their previous "closed" work method in appointing cadres. They should fully seek out qualified people in their units and systems. At the same time, they should make investigations in grassroots units and make contacts with the masses so as to discover more able and promising people. It is necessary to rely on social efforts to discover and cultivate more talented people so as to build a mighty contingent of cadres who measure up to the four requirements and who are able to promote our socialist modernization process.

CSO: 4004/9

A MAGNIFICENT WORK DEPICTING THE HISTORY OF THE CHINESE REVOLUTION--ON THE CREATION AND PERFORMANCE OF 'SONG OF THE CHINESE REVOLUTION,' A MUSIC AND DANCE EPIC

Beijing RED FLAG in Chinese No 21, 1 Nov 84 pp 18-21

[Article by Zhou Weizhi [0719 1550 1492]]

[Text] To follow the creation and performance of the music and dance epic "The East Is Red" from the 1960's, another large-scale song and dance epic which inspires people and advances socialism, patriotism, and education in revolutionary traditions has appeared on the stages of the capital in the 1980's. This is a present, in honor of the celebrations marking the 35th anniversary of the founding of the PRC, from over 1,400 hard-working music, dance, literature, and art workers, under the solicitude of leading central authority comrades. It is also a new accomplishment by Chinese art workers in using music and dance to depict socialist revolution and construction.

The 3d Plenary Session of the 11th CPC Central Committee was an important turning point in our party's history, following which our nation entered a new historical period. The 6th Plenary Session of the 11th CPC Central Committee corrected some of the historical problems in our party that have occurred since the founding of the PRC. In a scientific resolution geared toward seeking truth from facts, it summed up both positive and negative experiences and completed the task of bringing order out of chaos in the party's guiding ideology. The party's 12th National Congress put forward overall targets and tasks toward which the people of the whole nation should strive, and issued a great call to establish in an all-round way a new situation in socialist modernization. The sounds of a vitalized China resounded through the whole country. China faced the world and faced the future, and 1 billion people took a new step forward. The large-scale music and dance epic "Song of the Chinese Revolution" has emerged from this situation.

In 1982, when Comrade Deng Xiaoping spoke of the music and dance epic "The East Is Red," he pointed out that this type of large song and dance epic was a good way to embody party history teaching materials, and he said we should arrange another of these large song and dance epics. Comrade Hu Yaobang expressed very enthusiastic support for this, and the CPC Central Committee Secretariat made a decision on the creation and performance of a

new music and dance epic, "Song of the Chinese Revolution." At the same time as the party Central Committee was building material civilization, this was an important decision in strengthening spiritual civilization. It was a call to our art workers to enthusiastically celebrate in song the history of our revolution and was a mobilization order for them to exert themselves in reflecting the spirit of the times and the new look of the people in the new socialist period.

Everybody knew that any epic following "The East Is Red" would have a very difficult time creating and performing a completely new music and dance epic concentrated on reflecting real socialist life. First, the subject matter had increased, and therefore, so would performance length. Over 140 years of history, from the 1840 Opium War to the 12th CPC National Congress, would have to be depicted in 2 1/2 hours. The span was extremely wide and decisions would have to be made as to which historical events were to be included in this huge epic and from which angle to present them. It would have to be politically solid and virtually perfect on an artistic level in order to obtain good social results. This was clearly a very difficult task. Second, "The East Is Red" depicted the course of events from a China facing difficulties to the establishment of new China. However, "Song of the Chinese Revolution" wanted to depict the revolution and construction in the socialist period, especially the heroic spirit of the people of the whole country who, under the leadership of the party, have daringly and energetically pioneered causes through arduous struggle, enlivened China, and gone all out in modernization to strengthen China since the third plenary session. It particularly wanted to show the new situation of the pioneers. This was a new task. Third, in the 20 years of struggle before China's liberation, a great number of fine revolutionary songs came into being. "The East Is Red" used the historical revolutionary songs from different periods of our nation's history. These formed the "skeleton" and the "spirit" and were very useful. This was a basic experience seen in the success. There were also many fine dance works depicting revolutionary history from which to choose. But the work "Song of the Chinese Revolution" did not want to duplicate "The East Is Red," and thus could only choose from a small number of historical songs and ballads. Most of the songs had to be created anew and the historical dances had to be rearranged. How could this be done so that the songs and dances had both historical characteristics and were suited to the vast audiences of the 1980's, especially the younger audiences who demand aesthetic beauty? This was a problem.

After we accepted the task of creating the large music and dance epic "Song of the Chinese Revolution," we decided, on the basis of assimilating the experiences in the creation of "The East Is Red," to do our best to better combine the feelings of the times, a sense of history, and national characteristics. Thus, in depicting revolutionary history and socialist reality, we would be able to create something new. On an artistic level, we would also have a new look. In creating it, we noted the following:

1. First, it is necessary to have a good artistic "framework."

China's revolutionary history is long and complicated, glorious and mighty. How should we decide on which historical events to use and how the historical

periods were to be presented? How should the scenes and acts be divided, how should it be blocked, and how should things be tied together? Which scenes and which acts should have important solos? Which scenes and acts should have large-scale scenes? How should the images of proletarian revolutionaries be arranged in this important historical presentation? How should the roles of artistic methods and new mechanized stages be combined so as to bring out each other's good points? There were many other such questions. With a project as large as this and with as many difficulties as this would encounter, there had to be an overall plan. We spent close to 6 months arranging this "framework" and overall artistic conceptions. We adopted the method of combining individuals and groups, and combining small planning groups with artists in society. Many sides contributed their ideas and these were repeatedly screened before the best were selected. In one discussion meeting held to solicit the ideas of musicians and dance specialists alone, despite an initial plan to set up small planning groups, five different "framework" plans were put forward by the comrades at this one meeting. Through comprehensive screening by the small main group for the creation and performance of "Song of the Chinese Revolution," the framework was continually revised, and four drafts of over 100,000 characters were written. We decided that the main idea in this music and dance epic would be that only the CPC could have led the Chinese people to topple the three great mountains and build new China. Only the CPC could have led the people of all nationalities to work together with one heart and with a unified will to make the country strong and carry on a victorious struggle to enliven China and build a modern, strong socialist nation with a high degree of civilization and democracy. In a "framework" of this size, ensuring that the layout was rational, that the vital points stood out, that soldiers were used properly and that agreements were coordinated, was like arranging a military campaign. A high degree of leadership ability and the collective wisdom of the masses were required. Actually, in the course of discussing the artistic framework, we had already begun the creative process. All the creators who engaged in the discussion understood both the overall artistic process as well as the parts for which they were responsible. A consistency of style and a brilliant general design had already been basically achieved in every aspect and area. This provided a solid, dependable base for this large song and dance creation.

2. In the process of creation, it is necessary to make use of the advantages and avoid the disadvantages of the various artistic forms and to cleverly combine these.

A characteristic of song and dance is that they are good at expressing emotions and at displaying poetic and artistic conceptions. But it is difficult to use these in depicting concrete things like historical periods, places, and meetings. When we were selecting the artistic forms and artistic media, we paid attention to this and achieved relatively good results. For example, in the 17 years following the founding of the PRC, there were many events and the situation was complex; it was difficult to depict this through dance. We decided to use the powerful chorus "Ode to the Motherland," which was set off by the background of filmed scenes--wonderful views of towering peaks and magnificent rivers, the limitless plains, the imposing



great bridge over the Chang Adang, a forest of oil rigs, Wang Tieren [3769 6993 0086] in the wind and snow valiantly and heroically grasping a crank, scientists sending rockets into space, flowers blooming, people laughing, and so on. In only 7 minutes, we depicted this panorama of the flourishing socialist construction in the 17 years following the founding of the PRC.

Then there were the 10 years of catastrophe where those actions of the "gang of four" which plunged the people into great suffering were too numerous to mention. The party and the state suffered extremely serious losses. The Tiananmen "5 April" movement exploded like a volcano. On the one hand, the people expressed their deepest grief for the old generation of proletarian revolutionaries, and on the other hand, angrily denounced the rebels and traitors who had brought calamity to the nation and the people. How was this period of history to be reflected? We centered attention on the sea of white flowers in front of Tiananmen which aroused popular feelings, and arranged the "Dance of the White Flowers." This dance used a group dance to clearly depict the people's response to the unfortunate situation at the time, expressing their grief and indignation with white flowers. To balance the group dance, we used a solo to depict the struggle of a female party member who suffered injury and was martyred. At the same time, many soldiers, members of the masses, children, veteran cadres, and Red Army veterans solemnly stood in the masses of white flowers in front of the memorial marker. There was lamenting, there were protests, and there were pledges all displaying the fearless spirit of the vast number of people risking their lives in standing up to the "gang of four." Added to this was the vast white snow of the stage setting and a huge number of floral wreaths. The songs and recitations were filled with emotional language which took the audience back to the sorrowful atmosphere of 1976 when three revolutionary leaders died in succession, and this moved everyone.

3. It is necessary to strive to arrive at a high degree of integration of a sense of history, a feeling of the times, and artistic quality.

The unity of a sense of history, a feeling of the times, and artistic quality, in the end, is a question of the unity of political contents with the greatest possible degree of artistic perfection. History has been made. Now it is the 1980's. "Song of the Chinese Revolution" lets people stand here today, looking back at the past and ahead to the future. It is not a "history museum" but a milestone of the times. Although they are both large song and dance epics, "Song of the Chinese Revolution" and "The East Is Red" deal with different historical aspects. "Song of the Chinese Revolution" considers the demands of a 1980's audience. For example, in the "4 May Movement" act, the past had not left us with any ready-made work, so it was necessary to create the new "March of the 4 May Youth." The artistic creation, the sentiments, and the language all had historic feeling. However, we were afraid that if we wrote all the melodies in the style of those days, today's youth would find this difficult to accept. Thus we utilized some of the rhythms popular among modern youth, so that the contents and style would have historical feel as well as a contemporary feel and would arouse the sympathy of modern youth. Also, in the song and dance depicting the building of an enterprise through arduous efforts by the Gezhouba

workers, in neither the worker's clothing, the dancer's movements, nor the songs did we use the former styles of manual workers. We utilized the robust and graceful dance movements of young workers of the 1980's. The springy, swaying joyous melody with modern attire showed the brand-new appearance of Chinese workers in the new historical period.

In depicting great events, in order to avoid duplication of "The East Is Red," we made some new efforts to depict these events from a different angle. For example, in the act on the joining of forces in the Jinggang Mountains, we directly depicted the revolutionary camaraderie and struggle mood of Comrade Mao Zedong, Comrade Zhu De and Comrade Chen Yi at the time of the joining of forces. We used the method of personification in arranging the dance "The Azalea Flower" to reflect the scene of the get-together between the soldiers and the people. The aim was to show that the Chinese revolution, under the guidance of Mao Zedong Thought, found its own course. This was the correct road for establishing revolutionary bases in villages, using the villages to surround the cities, and finally, defeating the enemy. This was a great turning point from defeat to victory in the Chinese revolution, and is worthy of great celebration for many generations. "The Azalea Flower" dance intensely depicts this joyous atmosphere.

4. We should explore the patterns of development of song and dance art forms with Chinese characteristics.

This great Chinese revolutionary movement was carried out on the 9.6 million square kilometers of this long civilized land. In depicting the art forms utilized in this revolution, clearly they had to have Chinese characteristics and be loved by the Chinese people. The songs and dances from these years, although they stress national characteristics, also have many problems. Some works do not pay enough attention to the question of nationalities. As life continues to progress and art styles which depict life have continued to blaze new trails, what people appreciate in art is continually changing. In the process of absorbing and digesting foreign art, a new national style has gradually come about. These forms all show that national style is not an unchanging thing. In the creation of "Song of the Chinese Revolution," from start to finish we paid attention to this question. Everyone agrees that "Song of the Chinese Revolution" is an epic work and should use artistic styles which the people appreciate and bravely absorb, and boldly create and make use of various methods so that the art forms accord with the demands of the new life and reflect the characteristics of the new age. For example, in acclaiming the victory of the "Northern Expedition," we used the form of the popular lantern get-together below the Huang He Pagoda. Accompanying this we used antiphonal singing and dancing and used much local color. This was widely acclaimed by the audiences. In the act "Celebrating the Seventh Party Congress," the five secretaries Mao Zedong, Liu Shaoqi, Zhou Enlai, Zhu De, and Ren Bishi, together with the masses, do the yangko dance, play "dry boats," and watch donkey dance. These were all based on popular arts in northern Shaanxi and other areas. The songs and dances of "Spring Returns to the Earth" were imbued with the characteristics of Jiangnan and their beauty moved the people. In some dances we used classical Chinese dance movements. In "Dance of the White Flowers," classical

dance was used to make the feeling more intense and move the people even more. In many scenes and segments we also adopted ballet techniques, which caused the youth of the 1980's to express themselves vigorously and brim with energy. "Morning Tune of the Motherland" was also handled in this way. In "The Springtime of Science" act, the vocal solo was accompanied by a brief ballet dance which stimulated people and gave rise to all kinds of thoughts. The use of many dance forms and techniques were merged in a general artistic concept for this song and dance epic, and were subordinate to the basic demands of nationalism. Thus it appeared both rich and coordinated. Seen in totality, there was nothing unnatural about it.

5. Give full play to the strong points of the various artistic forms.

A large song and dance epic uses music and dance as the main components, but this does not mean that other arts are unimportant. On the contrary, we should fully bring into play the strong points of the various artistic forms so that they complement and assist each other, each bringing out the best in the others. For example, in order to increase the epic nature on the stage, we designed and made a large sculptured backdrop which could be drawn apart or closed and hung it across the stage. In this way, the events on the stage had a historical background and there was unity for the many types and styles of songs and dances. The recitatives also played a narration role, expression and linking acts together. The epic took the narrative, the speeches, and the poetic imagery and fused them into one. In the performance of this large song and dance, for the first time we adopted back projection methods to screen many historical film materials to set off the songs and the dances with the real feel and environment of history. The use of modern stage techniques, especially the movable stage and the elevator stage, allowed brand-new ways to change and add scenery. This gave the audience a more three-dimensional and multi-level feel, as though they were personally at the scene, which increased their appreciation and interest. This was beneficial for developing new stage techniques and raising performance capabilities in the various performing arts. When the special performers appeared, the images of the old generation of proletarian revolutionaries also appeared on the theatrical stage, causing the audience to be doubly moved.

6. If there was not a group of talented creators, performers and stagehands, a music and dance epic on the artistic scale of "Song of the Chinese Revolution" could not have been completed and staged in time for the 35th anniversary of the founding of the PRC. Over 1,400 specialist artists (and some children) from over 60 units participated in its creation and performance. They came from different localities and forces, but all had a strong sense of duty and brimmed with a spirit of devotion. In the creation and the rehearsals, they explored repeatedly and many times made changes to the drafts. They strove for perfection and nothing was too much trouble for them in this regard. They assiduously studied the various stage techniques so the performance could achieve the best results. Everybody worked enthusiastically and hard and their ideology improved to a great degree. The stirring deeds were too numerous to mention. This was a team which was rich in experience, had a spirit of blazing new trails, was able to unite in action, and which completed the tasks of creation and performance very well.

With the close concern of the leading comrades of the Central Committee, "Song of the Chinese Revolution" has now been officially staged in public. We have achieved some success and made some breakthroughs and progress in creation and performance. However, "Song of the Chinese Revolution" has fallen far short of the demands of the times and the demands of the masses. The depth of ideological content and the care paid to artistic performance both require further deliberation and improvement. In accordance with the ideas of the broad audiences, we will continue to improve and modify it so as to perfect it and give it enduring brilliance.

CSO: 4004/9

## HOW HAS WUXI CITY ENHANCED THE ECONOMIC RESULTS OF ITS INDUSTRY?

Beijing RED FLAG in Chinese No 21, 1 Nov 84 pp 22-25

[Investigation report by Yang Xiaochu [2799 1321 2806] and Xue Yumin [5641 3768 3046]]

[Text] Located in southern Jiangsu, Wuxi is an old industrial city of our country. The line, guiding principles, and policies formulated since the 3d Plenary Session of the 11th CPC Central Committee have brought fresh economic vitality to this old industrial city. An important sign of this change is that over the past 5 years, industries in the urban areas of Wuxi have developed rather quickly and have achieved relatively good economic results. In 1983, for the 674 industrial enterprises in the city, the value of industrial output was 5.49 billion yuan, an increase of 67 percent over 1978, or an average annual increase of 10.75 percent; the total realized profits were 1.01 billion yuan, an increase of 34 percent over 1978, or an average annual rate of 6.05 percent; and the taxes and profits turned over to the state were 770 million yuan, an increase of 21 percent over 1978, or an average annual increase of 3.95 percent. Over the past 5 years, the taxes and profits turned over to the state by the industrial enterprises in the city totaled 3.84 billion yuan, equivalent to 163 percent of the value of these enterprises' existing fixed assets.

It has not been easy for Wuxi to achieve good economic results in industrial production. Over the past several years, Wuxi has met various kinds of difficulties, pressures, and challenges in its industrial development. First, the shortage of energy resources, materials, and raw materials has continued to increase. Many industrial enterprises must use "coal for enterprises undertaking cooperation," the price of which is more than double the price of coal supplied under state planning, and some enterprises must use "coal for export," the price of which is more than three times the price of coal supplied under state planning. Second, planned production tasks have decreased. The proportion of production under regulation by market mechanism has increased to over 35 percent over the past 2 years. Third, in the case of synthetic fiber products, output has been restricted, prices have fallen, and the prices of some materials and raw materials used have risen, so that economic results have been affected. Fourth, large numbers of management cadres and old workers have retired, and in the enterprises, the number of new workers whose quality is not so good has increased. Fifth, the scale of

municipal construction has greatly surpassed productive capabilities, and it has become increasingly more difficult to achieve expanded reproduction by extension. Withstanding various kinds of heavy pressure and proceeding from actual market conditions, Wuxi has discovered through exploration a new path whereby sustained and relatively rapid economic development and relatively good economic results can be achieved. How has Wuxi been able to do this?

Wuxi's industries are mainly characterized by three things: First, Wuxi mainly specializes in processing industries. As for the supply of energy resources, materials, and raw materials, and the marketing of products, they are seen as "two links, one being the backward link and the other being the forward link, which depend on other localities." The supply of energy resources, materials, and raw materials basically depends on other localities, and over 90 percent of the products are sold to other localities or are exported. Second, Wuxi enjoys favorable natural and historical conditions for industrial development. Communications are convenient, its proximity to Shanghai is conducive to the utilization of foreign capital and the import of advanced technology, and its relatively early development of national capitalist industries has helped raise qualified personnel proficient in business and management as well as a contingent of technical workers. Third, regarding the technological structure and composition of enterprises, there is a problem of "three manys": There are many old enterprises, old plants, and old categories of equipment, with 90 percent of the equipment from before the 1970's; there are many medium-sized and small enterprises, which account for 98 percent of all enterprises; and there are many collective enterprises, which account for two-thirds of all enterprises. In view of this situation, it is necessary to grasp the creation and development of superior quality products so as to strengthen the enterprises' ability to survive and develop, and it is necessary to embark on the path of transformation, reorganization, and reform so as to improve the enterprises' economic results. Specifically, Wuxi has mainly done the following several categories of work:

#### I. Technological Transformation

Over the past 5 years, Wuxi city has accomplished 465 technological transformation projects involving a total investment of 273.23 million yuan, leading to a 1.407 billion yuan increase in output value and a 298 million yuan increase in taxes and profits turned over to higher authorities. The results have been rather good.

In undertaking technological transformation, Wuxi has paid attention to grasping two things: First, the technological transformation of old enterprises; and second, the integration of technological transformation with the use of foreign capital and the import of technology. The old enterprises may have obsolete equipment, but they also have a definite foundation in operations and management and have the ability to adopt and assimilate new technology. The use of advanced foreign technology in technological transformation can both speed up technological transformation and quickly help raise the technological level of industrial production so that the gap between our domestic standards and the advanced technological standards of

foreign countries can be reduced as quickly as possible. This is a shortcut which coastal cities can take to do a good job of technological transformation. The first Guomian mill [first national cotton mill] was originally a factory opened by Mr Rong Desheng, a national capitalist, in the early 1920's. In the past, its equipment was old, its technology was backward, and its productive efficiency was low. In 1981, by means of compensation trade, it imported some complete sets of spinning equipment with a capacity of 26,000 spindles, and some equipment for certain weaving subprocesses. In importing this advanced equipment, it did not use any state funds, but used its own funds of more than 12 million yuan. The equipment was put into operation in July 1981; by the end of 1983, it had created total foreign exchange earnings of 11.76 million dollars. The combed cotton-polyester grey cloth produced by this mill has a good, stable quality and has won the good name of "tai hu grey" on the Hong Kong market.

In recent years, Wuxi has paid greater attention to the import of software. Compared with the purchase of equipment, this saves investment funds and produces better economic results. At the end of 1980, the Wuxi electrical machinery factory spent 1.10 million marks to buy from Siemens of West Germany the model IFC-5 series of brushless 3-phase synchronous alternating current generators for ships; in 1982 it succeeded in manufacturing this generator on a trial basis. Consequently, in the future, our domestic supply of generators for ships can be completely based on domestic production, leading to a great savings in foreign exchange. In the past, the production technology of this factory had stayed at the standard of the 1950's. After importing technology, it started to carry out transformation, taking advanced technology as a reference point, at some key workshop sections such as paint immersion, hot forging workshop sections, and so on. In accordance with the international standards of accuracy, it improved all machinery and equipment in the factory. The generators produced by this factory are now used by cargo ships for exporting goods. At present, nearly one-fifth of all enterprises in Wuxi have started the work of utilizing foreign capital. Over the past 5 years they have brought in 133 projects from abroad, the majority of which are being applied to the technological transformation of the enterprises. The economic results have been markedly good.

## II. The Readjustment, Reorganization, and Combination of Enterprises

Over the past 30 years or more, Wuxi has built up a definite industrial foundation and its industries have attained a definite scale. In the past, however, under an economic management system marked by overconcentration, there was a lack of interenterprise horizontal economic links, the enterprises were not rationally organized, and the level of specialization in production was low, so that the improvement of economic results was affected. Over the past several years, Wuxi has broken the boundaries between localities, departments, and systems of ownership, and has undertaken industrial reorganization and the combination of enterprises in a planned way. Thus, the role of the existing enterprises has been fully brought into play, the level of specialization and socialization in production has been raised, and economic results have improved. In 1981, key tasks in the production of



those light industrial and textile products which were in short supply were increased, 60 readjustment projects were implemented, and the production of over 40 categories of consumer goods was increased. Industrial reorganization and the combination of enterprises were carried out in conjunction with readjustment, and more than 40 economic combines of various types were developed, so that a number of enterprises which had not been assigned a sufficient number of tasks took a turn for the better and the number of enterprises incurring deficits decreased by 11. The tire factory originally specialized in producing car tires. The production of car tires in our country had reached saturation point at the time, so the factory incurred deficits and operation could no longer continue. However, the supply of the products of the second rubber factory, like rubber rollers and rings, could not meet the demand. Thus, the municipal authorities organized the combination of the two factories. The building and equipment of the tire factory were fully utilized to produce rubber rollers and rings instead, so that the output of rubber rollers and rings doubled. Thus, not only were urgent needs in textiles production satisfied, but the tire factory was rescued. In the first part of the year, the tire factory incurred a deficit of 80,000 yuan; in July, it began to gradually shift to the production of other products; in October, deficits began to give way to profits; and by the end of the year, a profit of 500,000 yuan had been achieved. In Wuxi, aside from the organization of economic combines, separate enterprises have also been organized into companies or general factories according to inter-enterprise technological and economic links, and the depth and elaborateness of the division of labor have been increased through a division of labor among specialized units. The wool spinning industry of Wuxi has developed in this way. The Xiexin woolen mill is an old factory. In the past it produced worsted wool fabrics, drugget, knitted velvet, knitting wool, woolen strips, and so on. Several years ago, this factory gradually set aside some equipment and technical forces to set up five small woolen mills which separately produce drugget, knitted velvet, knitting wool, and so on, thus initially achieving a division of labor with specialization in various products. On the basis of a division of labor among specialized units, it has carried out the technological transformation of equipment and improved the productive capacity and technological standard of its equipment. Two of its products have won silver medals and three have been appraised as superior quality products of the province. The proportion of worsted wool fabrics that are exported has increased from 20 percent 5 years ago to 92 percent. At present in Wuxi, 13 industrial companies producing textiles machinery, plastics materials, bicycles, metal tools, and so on, as well as 9 general factories producing woolen textiles, watches and clocks, sewing machines, furniture, and so on, have been organized. Beneath them are 200 enterprises which constitute nearly one-third of all industrial enterprises in the city.

In March 1983, a new system was instituted in Jiangsu whereby counties are put under the administration of municipal authorities, so that three counties--Jiangyin, Wuxi, and Yixing--have been put under the leadership of Wuxi city. The institution of this system amounts to a very favorable condition for the integration of urban and rural industries. According to the guiding principle of "guiding, supporting, planning and promoting," various

industries have formulated plans for developing the integration of urban and rural industrial enterprises. The fifth electronics factory, together with three enterprises in rural areas and small towns, formed an economic combine. The excess premises and equipment of the enterprises in the rural areas and small towns were used to set up three assembly lines. Consequently, the output of radios doubled that of the previous year. Since decentralizing the production of various products, the electronics factory has devoted its main efforts to improving product quality, to developing new products, and to opening up its market. The variety of radios it produces has increased; there are now 4 series and 32 varieties.

### III. The Development of New Products and the Creation of Superior Quality Products

Products are the embodiment of economic results. Regarding Wuxi's industrial production, "the backward and forward links depend on other localities"; these links are raw materials and the market. Only by grasping the production of products, which is the intermediate link, can the development of the backward and forward links be promoted and can a beneficial cycle in production be created. Many industrial enterprises in Wuxi regard the development of new products and the creation of superior quality products as an effective way and the most direct means of striving for "good product results."

Generally speaking, the development of new products embodies the conversion of science and technology into productive forces. Although Wuxi has a definite foundation, it has relatively few industrial research units and the scientific and technological personnel in its enterprises constitute a relatively weak force, accounting for only a little more than 2 percent of all workers and staff members. Under this condition, Wuxi adopted the method of "grasping with both hands." The first thing grasped was the establishment of research centers by factories and the strengthening of the personnel force for the development of new products. Over the past several years, over 60 research centers and offices have been set up by factories in the city. They have played a tremendous role in developing new products and promoting technological advance in the enterprises. The people's glassware factory established a research center in 1979. Basing itself on the development of new products, the factory has succeeded in "taking in one thing, grasping two, and looking at three." Over the past several years, it has carried out research on and produced 291 new products or new varieties of products. Its products have changed from a single category of lamps for building and construction work to many varieties of lamps for domestic use, and from ordinary varieties of lamps to complete sets of middle-grade and top-grade lamps. This factory has also designed and produced much liked new-style lamps with Chinese characteristics for the Diaoyutai State Guesthouse and the Beijing Hotel. According to statistics, from 1979 to 1982, factory-run research centers and offices undertook or took part in 71 percent of the scientific research projects assigned to Wuxi by various departments at higher levels. They created 66.5 percent of the approved results of scientific research. They received 37.7 percent of the awards for major results of scientific and technological research given by provincial and municipal authorities. Practice has proven that the organization

of some of the enterprises' technological forces to develop new products is a good way to integrate scientific research with production, because the tasks arise from production, the results are applied to production, the cycles involved are short, and quick results can be had.

In the development of new products, the other thing being grasped is the organization of cooperation and the tackling of key tasks. This is a way to utilize intellectual resources. Over the past several years, many enterprises have made many varied attempts in this regard. Many forms of cooperation have been developed, such as the transfer of research results, joint manufacture on a trial basis, entrusting personnel training to other units, the employment of technological consultants, the organization of combines that integrate scientific research with production, and so on. Very good results have been achieved. In recent years, cooperation relations have been established between Wuxi and more than 140 scientific research agencies and institutes of higher learning in our country. The shock absorbers for ships factory mainly produced equipment for military use in the past. In 1981, tasks for the production of military equipment were greatly reduced owing to readjustment. To develop new products, this factory employed 19 experts and professors from the mechanics research office of the Chinese Academy of Sciences and from Jiaotong University in Shanghai to serve as consultants. These consultants visit the factory twice yearly to conduct examination, analysis, and academic discussion in connection with results of scientific research; to put forth the orientation of development of new products; to help the factory formulate plans regarding the development of new products and technological transfer; to help the factory tackle key technological problems; to help it train qualified personnel; and so on. Over the past 2 years, with the help of these consultants, this factory has manufactured 17 varieties of new products on a trial basis, some of which having attained advanced international standards. Since 1979, thanks to the work done in this area, great success has been achieved by Wuxi in the trial manufacture of new products. Over the past 5 years, 2,629 new products and 10,214 new varieties of products have been manufactured on a trial basis. In 1982 and 1983, 1,061 new products and 5,593 new varieties of products were developed and began to be manufactured on a trial basis, accounting for 40 percent and 55 percent, respectively, of the total figures for the 5 years.

The work of creating superior quality products has been carried out on a wider scale and with greater effort in comparison with the development of new products. Over the past several years, Wuxi has mainly grasped planning, organization, and management in connection with the creation of superior quality products. High quality cannot be achieved without standardization. Wuxi has taken the grasping of product standards as the key to creating superior quality products. In 1980, Wuxi began to grasp the formulation of product standards. By the next year there were standards for basically all products produced by the enterprises, and the enterprises were further called upon to approach international standards. At present, 52 products of the city are following international standards. The testing, inspection, and control of products are grasped concurrently with the grasping of product standards. Moreover, various specialized testing agencies

have been organized, so that a product quality testing and inspection network has been formed. Over one-third of all enterprises are now practicing quality management for all areas. These measures ensure the steady improvement of product quality. According to statistics, in 1982 and 1983, 5 products of the city were awarded gold medals, 20 products were awarded silver medals, and 95 products were appraised as superior quality products by the departments and provincial authorities concerned. In 1983, the proportion of superior quality products reached 9 percent.

#### IV. With Reform as the Core, the Quality of the Enterprises Is Being Upgraded and the Enterprises Are Changing From Production-Type Enterprises to Production and Operation Ones

Over the past several years, initial reforms of our country's economic system have been carried out and great changes in the internal and external conditions of production have occurred in the enterprises, which have begun to change from appendages of administrative organs into relatively independent producers of commodities. Thus, major changes in enterprise operation and management are called for. In recent years, a relatively large number of enterprises in Wuxi have been paying attention to taking reform as the core and to grasp their own quality, so that they can change from production-type enterprises to production and operation-type ones, and their economic results can now be enhanced. Among these enterprises, the first socks factory of Wuxi has done a relatively good job in "shifting to the other type." In the past this factory "depended on planning for earning a living." Over the past several years, it has met new challenges: prices of materials and raw materials have risen, considerable decreases in product prices have occurred three times within 3 years, and products continued to be overstocked even after prices had fallen. In the face of this new situation, the factory has paid attention to grasping four categories of work in "shifting to the other type." First, market investigation has been strengthened, forecasts have been satisfactorily done, and correct policies concerning operation have been made. Subsequent to investigations, a guiding principle governing production and operation was formulated, namely: "Produce what others do not produce; produce in large quantities what others produce in small quantities; produce superior quality products if others produce the same kinds of products in large quantities; and sell at lower prices those products for which others attain superior quality." Second, new varieties of products have been vigorously developed and produced. Forces for designing new varieties have been strengthened. The following policies concerning the development of new products have been formulated: learning from the good points of many other enterprises; producing products which are attractive in appearance and give good service in use; producing fashionable, high quality, beautiful, and less expensive products; and overcoming shortcomings. In the past, an average of 40 or more new varieties were designed annually. Over the past 2 years, over 130 new varieties have been designed. Third, operation and marketing activities have been vigorously promoted. Under the precondition that state plans are fulfilled, regulation by market mechanism has been fully exploited and it has sold products on its own. The factory has established links with over 300 customers in our country. Fourth, economic integration has been

developed and productive capacity has been extended. The factory's products are now sold in 24 provinces and municipalities of our country, and are sold abroad to more than 40 countries and regions.

The conversion of enterprises into production and operation enterprises does not simply imply the mere addition of some marketing agencies and the mere employment of some additional sales personnel. It also involves a series of reforms in areas ranging from the guiding ideology concerning operation to the working methods and organizational systems practiced in the enterprises.

The change of enterprises from production-type enterprises into production and operation-type enterprises calls for the raising of the enterprise management standard, for more scientific management, and also promotes the development toward more scientific management and the use of modern management methods. This is also an important reason why, in recent years, Wuxi has achieved better economic results. For example, by strengthening scientific management, the Wuxi bearings factory has been improving its economic results from year to year; in 1983, its profit per 100 yuan of output value was 55.9 percent higher than in 1980; from 1981 to 1983, its annual increase in profits consistently stood at 300 percent of the increase in output value. This shows that reform is the key to enhancing economic results. The industrial front of Wuxi is now vigorously grasping reform and continually creating new situations in the enhancement of economic results.

CSO: 4004/9

THE VIGOR OF THE SPECIALIZED HOUSEHOLDS LIES IN THEIR GREAT BENEFICIAL RESULTS--INVESTIGATION REPORT ON THE SPECIALIZED HOUSEHOLDS IN KAIPING AND ENPING COUNTIES

Beijing RED FLAG in Chinese No 21, 1 Nov 84 pp 26-29

[Investigation report by the Policy Study Office of the Guangdong Provincial CPC Committee, the office of the Kaiping County CPC Committee, and the office of the Enping County CPC Committee]

[Text] I. A New Stage in the Development of Specialized Households

In the latter half of 1981, Kaiping and Enping Counties began to implement in an all-round manner the household responsibility system with remuneration linked to output. On this basis, specialized households began to develop, and now their development has entered a new stage. By the end of 1983, specialized households respectively constituted 22 and 12.5 percent of the total number of rural households in the two counties. Among these specialized households, 68.8 percent and 61.8 percent, respectively, were engaged in the breeding industry; 20.2 and 22.2 percent, respectively, were engaged in other undertakings such as industry, commerce, transport, and the service trades. This shows that although at present the specialized households are mainly engaged in the breeding industry and crop production, there are some that are engaged in various undertakings other than agriculture.

Judging by the trend of development of the specialized households in these two counties, three clear trends have begun to emerge: 1) The number of households that earn an income of more than 10,000 yuan is increasing. The number rose from 42 in 1982 to 80 last year in Kaiping County, and from 56 to 106 over the same period in Enping County. Moreover, the scale of undertakings of the specialized households has been gradually expanded and their management level continues to improve. 2) Some specialized villages have also emerged. The number of these villages rose from less than 10 in 1982 to 28 last year in Kaiping County, and from 44 to 87 over the same period in Enping County. 3) A number of specialized households that are engaged in commerce, processing, and transport have developed very quickly. Their number has risen to 1,311 in Kaiping County and 1,972 in Enping County. At the same time, we have also learned that there are some specialized households in the two counties which have suffered losses because of blind management, errors in technology, or overexpansion of production. According



to a survey by the Kaiping County Agricultural Bank, of 1,881 specialized households that had received loans, 11.5 percent were running at a loss last year.

Specialized households are the first to become rich and they accelerate the development of the rural economy. Facts have proven that the fears of some people in the past that specialized households becoming rich first will bring about polarization are groundless. Since the beginning of the development of the specialized households, they have helped all the people to become rich together by playing their exemplary role. Now the difference is between those who become rich first and those who do so later and the disparity is in the extent of affluence. This will not lead to polarization. As a matter of fact, during the past few years, the number of poor households in our rural areas has been decreasing and quite a few households which received social relief in the past have now become households with surpluses. For example, in Shuijing District, Kaiping County, there were 63 households which existed on loans and relief for a long time before the 3d Plenary Session of the 11th CPC Central Committee. During the past few years, 49 households have repaid the loans one by one and overcome their poverty, and 19 of them have already become specialized households. What is more heartening is that many specialized households, after becoming rich, do not forget that others should also become rich. They either help the poor households to satisfactorily conduct specialized production, make direct donations to social welfare projects, or help five-guarantee households solve difficulties in their livelihood. At Dongan District, Enping County, Liang Zhenhuan, a specialized household, enthusiastically provided funds and taught technology to help Yu Shucun's and Zheng Yitang's fish farming households to develop freshwater fish breeding and thus enabled them to overcome the difficulties in their production. He also donated 1,000 yuan to help the village build a water tower and cultural club. For this, he was praised by the masses.

## II. A Principal Force in Vigorously Developing Rural Commodity Production and Exchange

It has now become increasingly clear that in these two counties, specialized households have become the most active in carrying out rural commodity production at present and have already become a principal force in developing the rural commodity economy.

1. Specialized households themselves are active commodity producers and have provided lots of commodities for the society. During the past few years in Kaiping and Enping Counties, specialized households have emerged that can each breed 1,000 pigs or 10,000 chicks, ducks, or geese, or that each sell tens of thousands of jin of grain as a commodity or of fruit. These households provide more commodities than ordinary rural households. Some of them each provide as many commodities as a brigade did in the past. For example, last year in Kaiping County, 117 specialized households sold more than 10,000 jin of grain each; 11 households sold over 100 pigs each; 29 households bred over 5,000 chicks, ducks, or geese each; 102 households grew over 500 fruit trees each; and 43 households planted over 100 mu of



trees each. According to a survey in Shahu District, Enping County, in Baisha Village, Nanping Township of the district, 4 pig-breeding specialized households each provided 86 pigs as a commodity on average, 25 times more than the average figure of 3.3 pigs provided by each of the 65 ordinary pig-breeding households. At Huanpi Township, Wu Zaibu, a rice specialized household, supplied 44,600 jin of commodity grain, which was 10.7 times more than the average figure of 3,800 jin of grain supplied by an ordinary rural household in the township. In Liuping Township, Fucheng District of the county, 24 sugarcane specialized households supplied 70 metric tons of sugarcane each, 180 percent more than the average figure of 25 metric tons provided by each of the 43 ordinary households growing sugarcane.

2. The specialized households have further developed their production both in depth and width, and thus made rational use of labor and land resources in our rural areas. Regarding the depth of production, most of the specialized households in the two counties are carrying out intensive operations and conducting intensive farming. In the two counties, there are many specialized households for which the per mu yield of rice exceeds 1,000 jin, the per mu yield of sugarcane exceeds 8 or 9 metric tons or the per mu yield of fish exceeds 1,000 jin, and which attain a high rate of survival in breeding fowl and animals and which have a rapid growth rate for their fowl and animals. Regarding the expanse of production, during the past few years, many exploratory specialized households have emerged in the two counties. In Kaiping County there were 6,123 such households, which account for 23.4 percent of the total specialized households there; in Enping County there were 946 such households, which account for 10.6 percent of the total specialized households there. As a result of their efforts, the resources in the barren mountains, barren mountain slopes, barren land, barren waters, and barren beaches far from the villages have begun to be utilized to supply agricultural and sideline products for the society. At present in some townships and villages where specialized households have developed relatively quickly, a prosperous situation has already emerged whereby there is no barren land or idle people.

3. The development of specialized households has promoted the gradual specialization of the rural economy. All the specialized households that we have met have a common characteristic, namely, they each set one or two key lines of production according to their technological, financial, and labor conditions, and have thus gradually switched from "small and all-round" into "small and specialized." The specialized households in Baiyi Village, Nanping Township, Shahu District, Enping County are typical examples of this. There are 73 households in the village. Originally, all the land was used to grow grain and a small amount of other crops. Since the implementation of the household responsibility system with remuneration linked to output, 43 specialized households have emerged, of whom 13 breed pigs, 20 grow vegetables, 3 are engaged in transporting goods for sales, and 7 are engaged in the handicraft industry. They have begun to expand the scale of their undertakings and have achieved fairly satisfactory economic results. The value of the fixed assets of some households amounted to 10,000 yuan and some of them reaped an income of over 10,000 yuan. From them we can see the orientation of developing a division of labor and specialization in our rural areas.

4. The specialized households have vigorously adopted relatively advanced technology and management techniques and promoted the popularization and application of new agricultural technology in our rural areas. During the survey, the various areas provided us with many instances of specialized households learning, applying, and passing on technology. In Dasha District, Kaiping County, there is a pig-breeding household in which the husband and wife first bred a few dozen pigs several years ago; now they breed over 600 pigs. As they attach importance to the application of new technology and pay attention to continuously summing up their experiences and improving their work, they have grasped a set of methods that combines Chinese and Western medicines to prevent and cure pig diseases, as well as the advanced technology concerning pig breeding. The death rate of their pigs was lower than 1 percent and their pigs eat only 2.9 jin of fine fodder to gain 1 jin of weight. (Generally, a pig eats 4-5 jin of fine fodder to gain 1 jin of weight.) Therefore, the couple was called "pig doctors" by other people and the masses came from tens of li away to visit them and learn from them. Our specialized households are all willing to take the lead in making experiments in introducing fine breeds and popularizing new farming technology and have scored relatively good results in so doing. For example, during the past few years, the fruit specialized households in Shuikou District, Kaiping County have widely adopted new technology to grow fruit tree seedlings and have vigorously introduced new species of seedless and nonseasonal fruit. In Chikan District, the specialized households have succeeded in breeding large numbers of a fine breed of ducks which the district has introduced from Britain.

### III. In Guiding the Development of Specialized Households, We Should Pay Attention to Economic Results

The emergence and development of specialized households have increasingly clearly shown their role and vitality. However, like any new rising things, the specialized households are now at their initial stage of development and have to undergo a relatively prolonged process of improvement and development. At present, they still display a dual nature characterized by both commodity economy and natural economy. Regarding the scale of production and management, a specialized household appears as a commodity producer and provides more commodities than an ordinary rural household. However, it has not broken the limitation of the small scale of family undertakings. Regarding the degree of specialization and socialization, it has begun to separate itself from agricultural production, but it has not entirely become separated from land or freed from the predicament of being "small and all-inclusive." Regarding management, administration, and technology, it can pay attention to advanced technology, carry out scientific farming, and achieve relatively satisfactory economic results, but it has not completed the transition from pure empirical and traditional agriculture to a modern agriculture established on a scientific foundation. All this shows that there are still many remnant characteristics of natural economy in our specialized households which have just been freed from the sphere of natural economy. For precisely this reason, we should start from their current characteristics and give correct guidance in directing the development of specialized households. It is wrong to adopt a laissez-faire

attitude, but impatience for quick achievements will lead to the reverse of what we want. In short, we should continue to solve problems and promote their gradual progress in light of the inherent process of the movement of specialized households and should pay attention to raising their economic results through diverse approaches. Judging by the practice in the two counties, at present we should solve the following four problems:

1. We should pay attention to the appropriate scale of their undertakings in order to achieve relatively satisfactory economic results. The scale of the production of our specialized households is determined by the level and state of affairs of the development of social production in the area concerned. By appropriate scale, we mean that the scale of undertaking of a specialized household should be adapted to its internal production capacity and its external production conditions. Our survey shows that at present when the scale of the undertaking of a household conforms to the situation of the current rural productive forces, it can give full play to the labor, financial potential, and technical skill of the household and is suited to the level of culture, technology, administration, and management of our peasants at present and to the degree of socialization of the current rural production (the capacity of the service system and the volume of the market). We have learned that most of the specialized households in the two counties who have achieved optimal economic results are operating on a scale that is adapted to their labor, funds, and level of technology, administration, and management. Conversely, if a household blindly pursues a large scale and overextends itself, disregarding subjective and objective conditions, the management results are poor and it may even suffer losses. In 1962, a household specialized in pig breeding became a model household in pig breeding and was well known throughout the country. In 1983, this specialized household blindly pursued large-scale operations, disregarding his own conditions related to labor, funds, and technology. He undertook by contract the all-round responsibility for a big pig farm of the commune and borrowed heavily from the state. In the end, he suffered nearly 60,000 yuan of losses because over 600 of his pigs died due to his inadequate technical competence and poor management. Of course, as conditions of production improve, the scale of the undertakings of our specialized households should be correspondingly enlarged, but the process of expansion should never be divorced from the actual conditions of the time and we must make the scale match the capacity of the specialized households and meet the demands of the development of production at the time.

2. Our specialized households should each have a major undertaking and supplement it with other undertakings, and thus obtain relatively satisfactory comprehensive economic results. It is major progress and an inevitable trend in our agricultural production to develop the internal division of labor and specialization and thus separate various links and processes in agricultural production and make them relatively independent sections. However, this is a prolonged and gradual process. Judging by the actual situation in the two counties, most of the specialized households there regard crop production or the breeding industry as their major undertaking, but there are also a small number of specialized households which are engaged in one or two undertakings in the service trades or processing

industry or which are engaged in grain production or family sideline undertakings. The number of households that have entirely given up undertakings related to land is small and the developmental trend of the relative concentration of land is comparatively slow. This structure of undertakings, characterized by conducting diverse undertakings with one main undertaking, yields relatively satisfactory economic results at present; therefore, the peasants have generally adopted this structure. For example, the Zeng family, a specialized household in Kaiping County, consists of 11 people, of whom 6 are laborers. It undertakes by contract the responsibility for tilling 23 mu of land and for 7 mu of fishponds of the collective. In 1981, it bred 27 pigs and 200 chicks, and earned a net annual income of 3,400 yuan, including the income from other sideline undertakings. In 1982, it increased the number of pigs to 191 and that of chicks to 10,500, and its net income totaled 15,000 yuan. In 1983, it further expanded its scale of undertakings, sold 224 pigs, bred 24,000 chicks, and dug 17 mu of fishponds. It earned an annual net income of 32,000 yuan that year. However, as the foreign trade department ceased to purchase its 2,088 red ducks because of change in the international market, it incurred a loss of 17,000 yuan. This reduced its net income for the year to 15,000 yuan. From the Zeng's undertakings we can see the following things: 1) Land is a means of production special to agriculture. It has been regarded by peasants as "lifeblood" over a long period of time. Particularly in Guangdong where there is a shortage of land supply for the large population and the policy of state monopoly for purchases and sales of grain is still being implemented, most of the peasants are currently unwilling to give up their land, although there has been a policy that clearly allows and encourages the concentration of land. 2) Production can be arranged in light of the different nature of the undertakings, of time requirements, and of personal and other conditions, so as to give play to the labor potential and technical skill of all the people in the household--male or female, old or young. This will facilitate the achievement of better economic results. 3) Using land to increase grain, then using grain to develop fowl and animal breeding, then using fowl and pig manure to feed fish, and then using pond sludge as manure for the land enables us to make better use of our natural resources and to form a benign cycle in our production, thus achieving better comprehensive economic results. 4) The losses incurred in one undertaking can be offset by the income from other undertakings, land, and sideline undertakings. This in fact constitutes a social insurance for our peasants at present. From this we can see that specialization and socialization are the orientation of the development of our country's agriculture and we are making vigorous efforts for the realization of this transformation, but in order to attain this aim, we must act in accordance with objective economic laws and should never try to achieve it at one stroke. The idea of some people who currently think that the higher the level of specialization the better and who are anxious to solve the problem related to the small and all-inclusive family undertakings of our peasants does not conform to the reality in our rural areas at present.

3. Better technological results have been achieved by combining traditional experience and technology with the popularization of advanced science and technology. Many specialized households have been developed by "competent

people" who have technical skill and management competence. At present, their level of production technology and management have generally stayed at the state of applying traditional experiences and skill. Traditional agriculture is a major characteristic of our country's agriculture. It has the strong points of intensive farming and operation and consuming little energy and materials and goods. As commodity production develops, specialized division of labor will become increasingly developed, the number of specialized households will increase, their scale will gradually expand day by day, production will grow from small to large, and the competition between producers will become increasingly intense. Therefore, our specialized households urgently demand the renewal of their technology and equipment, the raising of their level of administration and management, and the reduction of production costs in order to sharpen the competitive edge of their products. The survey in the two counties shows that combining traditional experiences and technology with advanced science and technology will facilitate adapting the structure of production technology of our specialized households to the development of production and is a method that is both applicable and economical and that is best accepted by our peasants. At present, in addition to doing a good job of popularizing technology and doing the work of training in a planned manner, we should establish technological service companies and develop technological service households, encourage providing technological service by all-round responsibility contracts and providing on-the-spot service, and thus gradually form a technological service system and a technical service network.

4. We should do a good job of providing various kinds of social services and achieve relatively satisfactory general results in commodity production. Our households have broken the closed pattern of production of the small peasant economy and followed a path of establishing an open pattern of production characterized by wide economic links with the society. Furthermore, the development of commodity production will in turn urge our specialized households to follow the path of developing an open pattern. If our commodity production encounters obstacles, it will be very difficult for our specialized households to develop. Judging by what was found in the survey in the two counties, at present, the problem for which our specialized households urgently demand a solution is to do a good job in various kinds of social services in accordance with the demand of the development of commodity production. Regarding the tasks of the service, at present, the major task should be the provision of banking services; of services to facilitate circulation, the supply of the means of production, and the provision of technological guidance; notary services for contracts; and many other kinds of service. As for the organization of the service, we should mainly develop the joint ventures and services in the following three ways: 1) The various state-run economic and technological departments and trades should vigorously support specialized households; 2) regional cooperative economic organizations and some township and town enterprises should regard as a key task in their work the satisfactory provision of services for our specialized households; and 3) we should support the development of various specialized households of a service nature and aid them in cooperating with one another and providing services side by side. The comrades in the two counties show the view that under the present situation, conditions

are not yet mature for forming the various kinds of services and the various service organizations in our dispersed service sector into a unified service system. However, it is imperative and also possible to establish a responsible organization or order an organization to be responsible for organizing and coordinating the social service work in various spheres and for giving correct guidance for the development of specialized households.

CSO: 4004/9

## THEORY OF THE 'GREAT CULTURAL REVOLUTION' MUST BE THOROUGHLY NEGATED

Beijing RED FLAG in Chinese No 21, 1 Nov 84 pp 30-33

[Article by Tan Zongji [6223 1350 4787]]

[Text] When discussing the relationship between political mistakes and theoretical mistakes, Lenin pointed out: "If a person consciously applies a certain theory in which he has made mistakes, he will be unable to distinguish any of his mistakes, including the political ones, unless he has found the theoretical cause for making these mistakes." ("Selected Works of Lenin," Vol 4, p 449) Similarly, in order to clearly understand the "Great Cultural Revolution" as a political mistake, which brought serious calamities to the party, the state, and the people, we must also find its theoretical cause. This is the so-called "Theory of Continued Revolution Under the Dictatorship of the Proletariat." On this theory, the "Resolution on Certain Questions in the History of Our Party Since the Founding of the PRC" has made the principal criticism. It pointed out that the theory had evidently deviated from Mao Zedong Thought. However, the influence of this erroneous theory is both intensive and extensive. Today, some "leftist" thinking and confused ideas are still closely related to it. Therefore, in order to totally negate the "Great Cultural Revolution," we must, theoretically speaking, further expose its erroneousness.

The treatment as a determined concept and systematic discussion of the "Theory of Continued Revolution Under the Dictatorship of the Proletariat" was first seen in an article entitled "Advance Along the Road Opened Up by the October Socialist Revolution," marking the 50th anniversary of the October Revolution, which was published in the issue of RENMIN RIBAO dated November 1967, in RED FLAG magazine, and by the editorial department of JIEFANGJUN BAO (PLA daily). This article summed up the "Theory of Continued Revolution Under the Dictatorship of the Proletariat" in six "key points." This can also be said to have been a summary of the erroneous "leftist" theory. Later, this theory was adopted into the political reports and party constitutions passed by the 9th and the 10th CPC Congresses, was recorded in the constitution passed by the 4th NPC, and was once the guiding principle for various tasks of our party and state.

What were the contents of the so-called "Theory of Continued Revolution Under the Dictatorship of the Proletariat"? Their major arguments were:



First, it maintained that after the socialist remolding of the private ownership of means of production had been basically accomplished, the major contradiction of China's society was still the one between the proletariat and the bourgeoisie. In the history of socialism as a whole, the contradictions between the proletariat and the bourgeoisie, as well as socialism and capitalism continued to exist. There was also the danger of capitalist restoration. And these were the prerequisites of "continued revolution under the dictatorship of the proletariat."

Second, it maintained that under the dictatorship of the proletariat, the crux of revolution was still the problem of political power. This was because in the wake of increasingly tense class struggle in society, "a large number of representatives of the bourgeoisie and counterrevolutionary revisionists have sneaked into various areas of the party, the government, the army and cultural circles. The leadership of quite a large number of units is no longer in the hands of Marxists and the masses. The party persons in power taking the capitalist road have formed a bourgeois headquarters in the CPC Central Committee. They have a revisionist political line as well as organizational line, and have their agents in various provinces, cities, autonomous regions, and central departments." Therefore, the central task of the dictatorship of the proletariat should be the launching of a great political revolution, in which one class overthrows another, so as to regain the power usurped by the capitalist-roaders, instead of concentrating on the development of productive forces. This was the task of "continued revolution under the dictatorship of the proletariat."

Third, it maintained that the methods adopted in "continued revolution under the dictatorship of the proletariat" were to launch a great proletarian cultural revolution. In other words, it mobilized the masses to reveal in a public, all-round way and from the lower level to the upper level, the dark side of the party and the country through a large-scale political struggle among the masses, like a hurricane. And this was the form of "continued revolution under the dictatorship of the proletariat."

This theory was once praised as "an epoch-making great development of the Marxist theory on the dictatorship of the proletariat," "a new stage of Marxist development," having "brilliantly developed the concept of dictatorship of the proletariat," and as "establishing the third great milestone in the history of Marxist development." In fact, things went contrary to these appraisals. The theory divorced itself from basic Marxist-Leninist principles instead of making contributions to, and developing Marxism-Leninism.

First, it deviated from Marxist-Leninist theory on the transition period. Marxism-Leninism has a very clear concept on the transition period, which refers to the transition between two sharply contrasting social formations. In other words, it is the transition from capitalist society, which is based on private ownership of the means of production, to socialist society, which is based on public ownership of them. Lenin divided the development of progress from capitalist society to communist society into three stages, namely the transition period, the communist low-level socialist society, and the communist high-level communist society. These development stages

have their different particularities. The transition period and socialist society have their own nature and characteristics, and cannot be mentioned in the same breath. In the transition period, various kinds of economic status, mainly the socialist status and the capitalist status, coexist. And conforming to these economic components are the proletariat, bourgeoisie and petite-bourgeoisie. The major contradiction during this period is the one between the proletariat and the bourgeoisie. "This transition period cannot but be a period of struggle between moribund capitalism and nascent communism." ("Selected Works of Lenin," Vol 4, p 84) Whenever the ownership of means of production has been changed from the private to the public, and the existence of the exploiting class has been changed into the abolition of the exploiting class, the transition period comes to an end and reaches the stage of socialist society. In the socialist society, though there is still class struggle in the remaining formation (this is a particular form of the legacy of class struggle in history under socialist conditions), the class contradiction is no longer the major one since the exploiting class has been abolished. To a certain extent, the general trend of class struggle will be gradually weakened until it totally vanishes. It is just as Lenin repeatedly pointed out: "Socialism means the abolition of classes." ("Selected Works of Lenin," Vol 4, p 89) If we say that classes and class struggle continue to exist throughout socialist society, we mean that this society will never be able to abolish classes, or in other words, socialism and communism can never be realized. Such a judgment is completely unrealistic nor logical. Moreover, it is obvious that the judgment completely deviates from the Marxist-Leninist theory. But the "Theory of Continued Revolution Under the Dictatorship of the Proletariat" was such a theory that denied the principled differences of the transition period from capitalism to socialism, as well as the developmental period from socialism, which is marked with the public ownership of means of production, to communism. The theory mixed them up and treated them as a general stage in the history of socialism. Furthermore, it still maintained classes, class contradiction, and class struggle. It also maintained that these two periods shared the same nature of contradiction and both were subject to the same rule. Obviously, this is simply not a concept of Marxism. It is just as Lenin said: "From all of the works of Marx and Engels, we can clearly understand that they distinguish in a very serious way the period without classes from that having classes." ("Complete Works of Lenin," Vol 32, p 237) Specifically speaking, the transition period is one in which the proletariat abolishes by means of state power the exploitation system, the bourgeoisie, and private ownership. Therefore, it is also a period in which a fierce and sharp class struggle is carried out. On the other hand, the historical development period which is rather long, and in which we follow the line to the high-level communist stage after establishing the socialist system, is the one in which we greatly develop the productive forces on the basis of having abolished exploitation, and practice socialist and communist construction. These are two distinct historical stages. In the transition period, there are contradictory judgments, such as life-and-death struggles between socialism and capitalism and between the proletariat and bourgeoisie, bourgeoisie constantly produced by small-scale production, and so on. If we regard as part of the socialist party a large number of such contradictory judgments, and treat them as the theoretical ground for launching more and

more acute political movements, we shall head in the wrong direction and fundamentally violate Marxist basic theory.

Second, it deviated from the Marxist-Leninist theory on the basic task of exercising the dictatorship of the proletariat. As early as in the "Communist Manifesto," Marx and Engels pointed out: "The first step in the revolution by the working class is to raise the proletariat to the position of ruling class, to win the battle of democracy"; and "the proletariat will use its political supremacy to wrest, by degrees, all capital from the bourgeoisie, to centralize all instruments of production in the hands of the state, that is, of the proletariat organized as the ruling class, and to increase the total of productive forces as rapidly as possible." ("Selected Works of Marx and Engels," Vol 1, p 272) These are classical expositions of Marx and Engels on the dictatorship and tasks of the proletariat. The victory of the October Revolution made the theory on dictatorship of the proletariat into social reality for tens of millions of people. Lenin clearly pointed out: "In every socialist revolution, after the proletariat has solved the problem of capturing power, and to the extent that the task of expropriating the expropriators and suppressing their resistance has been carried out in the main, there necessarily comes to the forefront the fundamental task of creating a social system that is superior to capitalism, viz., raising the productivity of labor." ("Selected Works of Lenin," Vol 3, p 509) Lenin not only advocated placing the increment of the productivity of labor to "the forefront" of the party's work, he also repeatedly stressed putting the focus of the work on economic construction. He also suggested "ruling Russia" after "capturing Russia." ("Selected Works of Lenin," Vol 3, p 496) However, the realization of Lenin's plan was interrupted by armed intervention of foreign powers and civil war. After defeating the armed intervention of foreign powers and putting an end to the civil war, Lenin promptly pointed out: "The economic task and economic front are now before us as the most important task and basic front." He reaffirmed that the Russians "must switch all of their attention onto this kind of economic construction." ("Selected Works of Lenin," Vol 4, pp 380-381) In these statements he confirmed that the organization of economic construction and cultural construction were the basic task of dictatorship of the proletariat. In the early 1960's, Comrade Mao Zedong also mentioned this issue. He said that we should first mold public opinion and capture the state power before solving the ownership issue. Then, we should greatly develop the productive forces, which was the general rule. Hence, we can see that the proletarian revolution in various countries needs to solve three basic issues, as follows: the capture of state power by the proletariat; the abolition of private ownership of means of production; and the great development of productive forces. After capturing state power, particularly following the basic accomplishment of remolding in the socialist way the private ownership of means of production, the proletariat should take the organization and development of socialist economy, as well as the invigoration and improvement of socialist culture as its basic task and duty of dictatorship. It is just as Comrade Deng Xiaoping said: "The most basic task at the socialist stage is to develop productive forces." On the other hand, the "Theory of Continued Revolution Under the Dictatorship of the Proletariat" did not mention at all the organization of and leadership over socialist economic construction

and cultural construction in a country dictated by the proletariat, nor did the theory talk about the most important task of greatly developing productive forces. Instead, the theory concentrated on criticizing "the theory of only stressing productive forces," "the use of production for suppressing the revolution," and so on. Consequently, the development of China's national economy was damaged, and for a long time, the focus of work could not be switched onto the correct track of the four modernizations. Obviously, this situation goes contrary to the Marxist-Leninist theory on the basic task of the dictatorship of the proletariat.

Third, the theory deviated from Marxist theory on continued revolution. The word "revolution" has various meanings. In accordance with the understanding of Marxism, the original meaning of revolution refers to political revolution, that is, an all-round historical change in which one class overthrows another. As early as in 1884, Marx pointed out: "General revolution--overthrowing the present power and disrupting the old relations--is a political action." ("Complete Works of Marx and Engels," Vol 1, p 488) The "general revolution" here refers to the original meaning of revolution. In his book "The Poverty of Philosophy," Marx further discussed the conditions, content, and method for this kind of revolution to take place. He said: "Only in the absence of classes and class antagonism can the evolution of society be no longer the political revolution. But before this takes place, the conclusion of social sciences on the eve of each all-round remolding of society is always: 'either struggle or death; or either bloody battle or destruction, which is always the formulation.' (George Sang [2718])." ("Complete Works of Marx and Engels," Vol 4, p 198) Lenin also specifically expounded the original meaning of revolution. He said: "No matter whether judged from the strict scientific meaning of the concept of revolution, or from its actual political meaning, the principal and basic mark of revolution is the change of state power from one class to another." ("Selected Works of Lenin," Vol 3, p 25) Thus, we can see that the Marxist political revolution is a decisive factor for the proletariat in successfully capturing power. Later, when summing up the European revolutionary experience in 1848, both Marx and Engels clearly pointed out the proletarian thinking of continued revolution, and that to publicize the "continuation of the revolution" was "the combat slogan of the proletariat." In other words, so long as the propertied class still occupies a dominant position, and so long as the dictatorship of the proletariat has not been established, this revolution will be ceaselessly carried on. Specifically speaking, the proletarian combat slogan of "continued revolution" refers to the situation in which, after accomplishing the task of democratic revolution, the proletariat should not stop the revolution. Instead, it should promptly change the democratic revolution into the socialist revolution. Lenin held that there was no great wall standing between the democratic revolution and the socialist one. He clearly pointed out: "We shall promptly transit from the democratic revolution to the socialist revolution. Furthermore, it is precisely the transition to socialist revolution carried out in connection with our strength, as well as the conscious and organized proletarian strength. We advocate the continuation of revolution and we shall never give up midway." ("Complete Works of Lenin," Vol 9, p 221) However, the "Theory of Continued Revolution Under the Dictatorship of the Proletariat" erroneously

held that under the socialist conditions, we still had to launch a great political revolution in which one class would overthrow another. Moreover, the theory treated this as the continuation of the political revolution carried out before abolishing the exploiting class. But the development stages of socialist revolution as a whole differ from each other. The proletarian political revolution is just the task of a stage at which the proletariat overthrows the exploiting class. In the socialist revolution following the abolition of the exploiting class, the form of carrying out the task is essentially different from that carried out in the political revolution. In the former one, it is a life-and-death class struggle, but the latter one is no longer the political revolution. In China, there is simply neither economic nor political base for launching the political revolution after the socialist system has been established. This is because the socialist public ownership has replaced the private ownership of means of production, and has occupied a dominant position. Hence, class antagonism was abolished following the demise of the exploiting class as a political class. Under these circumstances, the "Great Cultural Revolution," in which one class overthrew another, should of course not have been launched. The "Great Cultural Revolution," which took place under the guidance of the "Theory of Continued Revolution Under the Dictatorship of the Proletariat," completely confused the nature, content, and tasks of the socialist revolution at different stages. As we continued to launch "the political revolution of overthrowing one class by another class" following the accomplishment of proletarian political revolution, it was consequently taken advantage of by the Lin Biao and Jiang Qing counterrevolutionary cliques, instead of bringing "nationwide great order" out of "nationwide great disorder." Therefore, it caused the "nationwide great disorder" to last for 10 more years, as well as bringing about serious calamities to the party, the state, and the people.

Of course, when we totally negate the erroneous theory of "continued revolution under the dictatorship of the proletariat," we by no means mean that the task of revolution has been accomplished, nor that it is not necessary to continue the revolutionary struggle in various fields. Various contradictions in the socialist society must be completely solved. In particular, the contradiction between the growing needs of the people for materials and culture and the backward production of society must be solved. In order to realize the lofty ideal of communism through the practice of socialism, we must, in the process of greatly developing the productive forces of society, carry out appropriate reform in various areas. Judging from the liberation of productive forces and the progress of society to communism, reform can also be regarded as revolution. But such revolution is different from the political one not only in terms of content but also in terms of methods, which should be clearly understood.

As mentioned above, the "Great Cultural Revolution" which was under the guidance of the erroneous theory of "continued revolution under the dictatorship of the proletariat," was neither a political revolution, cultural revolution, or ideological revolution of Marxism; nor was it a revolution or social progress in all senses. It simply had neither revolutionary nor progressive characteristics. An erroneous theory will bring about erroneous

practices. The things that prevailed in the "Great Cultural Revolution," such as "any spearhead that points upward shows the general direction," "a privileged class exists in the party" and "there are capitalist-roaders in the party," were specific reflections of this erroneous theory. In fact, its pernicious influence has not been completely liquidated, and it still has influence in varying degrees among some people. Therefore, when we educate the people on totally negating the "Great Cultural Revolution," it is absolutely necessary for us to further analyze the "Theory of Continued Revolution Under the Dictatorship of the Proletariat," and overcome some erroneous understanding and behavior of the people.

CSO: 4004/9

## STRENGTHEN CONTINUED EDUCATION TO TAKE UP THE CHALLENGE OF THE NEW TECHNICAL REVOLUTION

Beijing RED FLAG in Chinese No 21, 1 Nov 84 pp 34-38

[Article by Tian Fu [3944 1133]]

[Text] The new technological revolution is, in essence, an intellectual revolution. The fundamental way to meet the challenge of the world's new technological revolution is to enable our people to acquire knowledge and raise the scientific and cultural levels of the whole nation. The economy of the period of industrialization was based on large-scale consumption of raw materials, energy and physical labor; under the conditions of the new technological revolution, the development of the social economy has grown to rely more and more on the advances in science and technology and management, more and more on human intelligence, and is determined by materialization of the production tools and the products and the knowledge of labor. Therefore, while formulating policies of the new technological revolution it is necessary to consider the key factor that knowledge has gradually become the social productive force, the economic competitive force and the state's "actual strength." It is necessary to accord priority to opening up minds, conducting continued education, and in particular continued education for senior and medium-grade cadres.

### Historical Technological Revolution Is Based on Universal Education

From a historical point of view, whether it be a technological revolution or an industrial revolution, there must be internal logic and appropriate social conditions which cause its emergence and development. The technological revolution of each advanced industrial country is based on universal education.

We all know that the Industrial Revolution in England took place after the scientific revolution, which was represented by Newton's theory of mechanics. However, if there was no universal scientific education since the scientific revolution, nor the cultivation of a great deal of handicraftsmen which were different from the artisans of the middle and ancient ages, the invention and manufacturing of the steam engine and spinning machine would be impossible, and even if they were manufactured, they would not be popularized or used. This is because a scientific or technological breakthrough does not mean



direct realization of the production forces which demand the application of such science and technology by educated and trained personnel. Marx said: "The reason accounting for the successful invention of James Watt and others is that these inventions were able to find a considerable number of skilled mechanic workers who had already prepared themselves during the handicraft period." ("Collected Works of Marx and Engels," Vol 23, p 419) Not long after that the invention of the steam locomotive once again proved this theory. The first steam locomotive in human history was made after 10 years of research by (Tele Weixike) [3676 0519 4850 6007 0344], which could haul 10 tons of goods and 70 persons. However, this was only displayed in exhibitions and was not put into actual operation until 1825, when it became an actual production force. The reason for this was that a large number of educated and trained engineers, technicians and skilled workers was lacking.

In the course of making profits and fortunes by applying science and technology over the following two to three centuries, the capitalists have paid much attention to education. As early as in the beginning of the 18th century, some bourgeoisie who had insight realized that not only did the industrial leaders need science, but the main technicians also gradually needed to master certain scientific theories. The renowned American scientist Benjamin Frandlin founded the Philadelphia Research Institute in 1755 and the renowned British scientist (Duke Lunford) [0243 1607 3676] founded the Royal Science Popularization Society in London in 1799. At the same time, the capitalist countries passed legislation and imposed compulsory primary education in the country, and in the wake of advances in science and technology and owing to the fact that social production needed workers with a higher cultural and scientific standard, the period of compulsory education was gradually extended from 4 years to 6 and 9 years. Besides, specialized secondary education and higher education also developed rapidly. This situation has been more prominent in the last 50 years. An important factor accounting for the relatively rapid economic recovery and development of Japan and West Germany after World War II was that these two countries had paid special attention to education and also possessed a high educational level. Under very poor economic conditions after the war, Japan still spent money on education and paid attention to raising the educational level in order to strive for survival. According to analysis of statistics, during the 15 years after the war to 1960, the contribution to economic affairs of mental exploration accounted for 52 percent, import of technology accounted for 43 percent and role of capital only 5 percent. Their experience was to attach primary importance to education so that education and the economy will develop at the same speed and prepare talents for economic development. Former Japanese Prime Minister Takeo Fukuda said: "The reason why Japan can build today's Japan in a short time is that there is a high educational level and a high degree of universal education." (BAIKE ZHISHI [4102 4430 4249 6221], No 38, p 38)

Presently, comparison of economic strength between nations and areas is not determined by the factor of land and resources, as was in the past, but to a large extent by the level of science and technology of this nation and the quality of the labor force. Thus, when a country wants modernization, the fundamental thing is to develop education and cultivate a large number of

talents who can not only master but also create world advanced science and technology. At present, the educational level in our country is relatively low, the number of science and technology personnel and the number of those admitted to universities is small, and the number of university graduates furthering their studies is even smaller. These numbers are even smaller than those of the developing countries. This is the reason why our country is economically backward. One professor once made a comparison, which called for deep thought, between Anhui Province and a certain European country: There is hardly any difference in the size of territory, population and coal resources between them. Anhui has more natural resources such as iron, sulphur and phosphorus than that country, there is a better climate and rich water resources in Anhui. Anhui is lacking in mental resources and is in an absolutely disadvantageous position. That country has made use of its favorable mental situation to restore at a high speed its industries which were totally destroyed in World War II and has grown to become a strong economic country in Europe.. Although Anhui enjoys superiority in natural resources, there is shortage of science and technology personnel and there is a large number of illiterates or semi-illiterates. Anhui's superiority in natural resources has failed to bring about economic superiority and thus has failed to establish its own industrial system. In light of this, we can see that we will be unable to achieve the four modernizations or to meet the challenge of this new technological revolution if we fail to grasp education, mentality exploration and continued education and make preparations for expertise.

#### Strengthening Continued Education Is the Strategic Preparation for Meeting the New Technical Revolution

To make expertise preparations, we must, on the one hand, develop various kinds of schools, and on the other, cultivate the existing cadres, workers and staff and strengthen continued education. Let us now expound on the question of continued education, which is an important strategic measure for achieving the four modernizations. The new technological revolution will cause drastic development of the social production force and cause great changes in the knowledge structure, technical structure, economic and management structure and cadre structure of the labor force. It will bring along many new topics for continued education and open up a wider road.

##### 1. Knowledge Structure and Continued Education

The new industries brought about by the new technological revolution are all knowledge-intensive industries. They will definitely change the structure of the social labor force, demanding that the workers have a higher scientific level and master new technology. Workers with a low scientific and technological level will lose their jobs when they cannot cope with demands of the knowledge-intensive industries. This is termed "structural unemployment" in the advanced industrial countries. With regard to these workers, it is necessary to carry out continued education, arrange them to learn new science and technology in order to find new jobs. At present our country is situated at a stage where labor-intensive, capital-intensive and knowledge-intensive industries coexist, but the proportion of the latter is very small.

However, we must see that this trend of development not only renovates traditional industries with new technology, but also actively generates an enormous amount of new industries. Large and medium-size cities which have a certain industrial basis will, in particular, rapidly establish a number of new industries, and an enormous amount of senior and medium-grade science and technology personnel will be needed. We must prepare for rainy days and grasp the cultivation of talents so that the knowledge structure of our country's labor force will cope with such a situation. Where does the labor force which possess new knowledge come from? Apart from vigorously developing higher education and secondary technical education, we must conduct technical training for workers and staff, and in particular young workers, to enable them to absorb new knowledge and master new technology. This is a very important mission.

## 2. Technical Structure and Continued Education

In history, technological revolution was mainly the extension and expansion of human physical strength and the promotion of the labor productivity by means of enormously increasing energy consumption and the consumption of various raw materials. This new technological revolution is mainly the extension and expansion of human mentality and the promotion of labor productivity by means of human mental work. In the newly developed knowledge-intensive industrial departments, the labor of the laborers is not based mainly on physical strength but on mentality. The workers will use computers and other advanced testing methods to control production and will become supervisors and regulators in the course of production. This requires that we conduct special technical training for the workers and enable them to become skilled technicians in a certain production aspect. At present, in certain advanced industrial countries, the shortage of engineers and technicians is prominent and in particular the computer software personnel. This is a natural result of continuous emergence of new technology. We should notice this trend of development and actively cultivate a considerable number of talents who can master modern scientific and technological skills. This demands that we, apart from vigorously developing higher education and secondary technical education, continue to educate and refresh the existing more than 6 million science and technology personnel and tens of millions of workers. This is the most pressing task at present.

## 3. Management Structure and Continued Education

The new technological revolution is bound to bring about changes in production organization and management procedures. The structure of traditional industries is a vertical tree structure and unitary products are produced in enormous quantities. The result of new technological development will be production of various items in small quantities, newly developed enterprises will become smaller in scale, more diversified and specialized, the vertical tree structure will decrease and horizontal network structure will increase and that ties and coordination between enterprises will become more important. As far as the whole society is concerned, it is a situation in which there is coexistence of large, medium and small-scale enterprises.

Small-scale enterprises are highly flexible, fast in adopting advanced technology, highly competitive and full of vitality, and their development is fast. All this is able to change the structure of the enterprises themselves and the management system. Simultaneously, the various achievements of the new technological revolution and in particular, the extensive use of electronic computers in production management, will speed up automatic and scientific management of the enterprises. In a situation like this, social production not only requires a large number of management personnel but also personnel who master management, scientific knowledge and technology. We must suit ourselves to such a change and actively cultivate a new generation of managers. Apart from vigorously strengthening higher education on management subjects, a pressing task is to strengthen continued education for existing management cadres at all levels and organize them in a planned way to study and acquire new knowledge.

#### 4. Cadre Structure and Continued Education

A change in the cadre structure is also a natural result of the changes of the above-mentioned knowledge, technology and management structures. It demands that cadres of the various fronts of the building of the four modernizations and in particular, the high and medium ranking leading cadres have strategic insight, systematic viewpoints, comprehensive ability and spirit of making creations. Lenin once taught us: "In order to manage, we must possess expertise, be familiar with all production conditions, know modern and advanced production techniques and with certain scientific cultivation. These are the conditions that we must possess under whatever circumstances." ("Collected Works of Lenin," Vol 30, p 394) Many people in our cadre force are lacking two things that we ought to know as mentioned by Lenin—"production techniques" and "scientific cultivation." We are confronted with urgent tasks. We must, on the one hand, actively readjust the cadre structure, boldly promote young cadres who possess political awareness, professional knowledge and management abilities to leading posts at all levels. We must, on the other hand, vigorously grasp continued education in a planned way for the cadre force and raise the present scientific and technological standard of the cadres. This is the crux in realizing the change in the cadre structure and formulating policies for the new technological revolution.

#### Grasping Well Continued Education for the Leading Cadres Is the Key To Meeting the Challenge of the New Technological Revolution

Under the circumstances of the new technological revolution, the crux of continued education is the question of continued education for 20 million cadres in our country's cadre force. The most important of all is the question of continued education for the high and medium ranking cadres. Reviewing the history of new China since its founding, we have made mistakes in this area, and it is because of this that the majority of our cadres only possess rich actual working experience but, at the same time, have a low scientific and cultural level. When confronted with the new situation, the party's tasks have changed, the activities and management methods of the various fronts of the state's socialist construction have changed and the

people's way of thinking and work methods must also change accordingly. At present a considerable number of cadres are unable to cope with such a change owing to a low scientific and cultural standard. Thus it is necessary for us to carry out continued education to enable our cadres to become workers and leaders in building the four modernizations who possess advanced scientific and technological knowledge, have certain strategic insight, and know production and management skills.

When writing a few words of encouragement to Jingshan School last year, Comrade Deng Xiaoping pointed out: "Education must aim at modernization, aim at the world and the future." This inscription is of far-reaching significance and has clarified the orientation for continued education for the cadre force. "Aiming at modernization" is the goal of continued education for the cadres. They learn science and technology in order to serve socialist modernization. "Aiming at the world" means knowing the trend of the world's new technological revolution and acquiring related knowledge for personal use. Only by knowing ourselves and the enemy can we grasp opportunities, greet the challenge and enable the Chinese nation to appear among the world's advanced industrial countries. "Aiming at the future" means that we should take a broad and long-term view, consider the Chinese nation's contribution to the world and consider the future of communism. In order to lead all people throughout the country to proceed toward this new world and build this new world, we must, by means of continued education for our cadres, cultivate an enormous number of modern leaders who are able to lead this great march.

In order to do a good job of continued education for cadres, it is necessary to conduct research and correctly handle the relationship of the following three aspects.

First, it is necessary to correctly understand and handle the relationship between Marxism and modern scientific and technological knowledge. In conducting continued education for the cadres, it is necessary to attach importance to learning and studying Marxism-Leninism-Mao Zedong Thought, learn how to apply the Marxist stand, viewpoints and methods to understand the new situation and new characteristics of the world's present new technological revolution and resist invasion of various bourgeois ideological trends. Currently we must also learn well the "Selected Works of Deng Xiaoping" and "Selected Works of Chen Yun." Comrades Deng Xiaoping and Chen Yun have integrated Marxist general principles with the actual practice of the building of the four modernizations in our country, and have, at the critical moment of our party's historical turning point, creatively solved many questions on important issues and questions of actual practice. They are the specific realization of our guiding ideology in building socialism with Chinese characteristics.

Marx and Engels were both revolutionaries and scientists. They not only studied all kinds of valuable works on philosophy, economics, history and other social sciences in human history, but also studied many valuable works on natural sciences in human history and had a profound knowledge of the latest and greatest achievements of natural sciences in the 19th century.

Their extensive and in-depth knowledge was rarely seen in human history. The Japanese scholar Morishima Michio explained in an article "Marx and Mathematical Economics" carried in the August 1980 issue of DIGEST: Marx discovered alone the famous "Markov chain question" and "Perron-Frobenius theory" in modern mathematics. Therefore, in order to completely and correctly understand Marxism we must master knowledge of the natural sciences; it will be insufficient to rely solely on simple class passion and individual experience or else, it will be more difficult to use the strong ideological weapon of Marxism in opening up new prospects and solving new problems.

At present, our party's central task has already shifted into the four modernizations cause. Comrade Hu Yaobang said: "There has been a fundamental change in today's situation. The socialist construction cause is a brand-new cause, the scale of it is much larger, the nature of it is much more complicated and the number of trades and business is beyond comparison"; "in order to lead one must strive to become an expert." However, a considerable number of our cadres do not have a sound knowledge of economic construction and prefer to remain amateur for a long time. This has caused considerable losses. Lenin once said: "Any kind of management work requires that people possess special abilities. Some people can be the most competent revolutionaries and instigators but they are totally not suitable for being management personnel." ("Collected Works of Lenin," Vol 30, p 394) If our cadres want to become qualified management personnel and become experts from amateurs, they must learn, study Marxism and the natural sciences, and also acquire professional knowledge of their work and management science, and master special skills. Otherwise they will be unable to cope with the demands of the new situation, which has already changed fundamentally.

Second, it is necessary to correctly understand and handle the relationship between making cadres professional and making them knowledgeable. The party Central Committee requires that the cadre force become revolutionary, young, professional and knowledgeable. Making them knowledgeable means requiring that the cadres possess considerable scientific knowledge including knowledge of the social sciences as well as the natural sciences. Making cadres professional means requiring that they have a sound scientific and technological knowledge of their own work and professional management knowledge and in particular, scientific knowledge in relation to leadership work. This is a new academic subject which has just taken shape--leadership science. Management and leadership work are professional tasks and thus knowledge of this work is scientific knowledge. People always say that "the expert runs a center" and "a professor runs a school." In my opinion, it should be: A scientific management expert runs a center and an educational expert runs a school. It is not true that all kinds of experts can run centers and schools. A professor is an expert scholar in a certain scientific realm and is different from a management cadre who leads a research center or manages a university. Some professors also have organizational and management knowledge and abilities and can take up such tasks concurrently; whereas some professors are only suitable for probing questions of a certain scientific realm, and it will turn them into amateurs and delay work if they are



appointed to management posts. In order to make cadres professional and do a good job of leadership and management work, each state cadre should learn system engineering, the science of policymaking, engineering economics and management science.

Finally, it is necessary to correctly understand and handle the relationship between leadership science and the art of leadership. Working experience drawn from actual practice is valuable; however, in a modern society and when confronted with the new technological revolution, social production and living have grown into large systems and are closely related with each other, forming a network structure. It has become inadequate for us to handle such a complicated situation by relying on our individual experience, and it is necessary to rely on leadership science. Leadership science is gradually developed on the basis of summing up experience in leading modern production, it is an ideology and a crystal of standardized knowledge in the art of leadership; the art of leadership is a kind of experience and is leadership experience and skills based on certain scientific knowledge. Cadres at all levels must acquire knowledge in leadership science, this is an important content of continued education. However, having such knowledge does not mean having leadership ability. It requires that we sum up our experiences in actual practice. The more and richer experience one gains, the deeper one's understanding of leadership science and the higher one's acquisition of the art of leadership. The high-level leadership policies are particularly complicated and are subject to frequent changes, in terms of probability in mathematics, things are highly random and there will be great difficulties in applying "scheduled policies" at this time. As Nobel economic prize winner A. Simon said: "When it comes to the higher levels, the majority of the questions that face the management personnel are problems of unscheduled policies and they are unable to find parallel specific schedules for policymaking. Thus, this has to rely on the experience, judgment, intuition and creativity of the senior management personnel themselves." (A. Simon's "Speeches Made in Tianjin University in 1980," pp 27-28) This is to say, leadership science is important but the art of leadership is also indispensable. Having acquired knowledge of leadership science, the cadres must still pay attention to better applying and giving play to the art of leadership in order to do a better job of their work.

Our party has created and accumulated rich experiences in cadre education. Over the last few years, in order to achieve the "four improvements" in the cadre force, the party Central Committee has adopted many powerful measures, made many important decisions and cultivated in a scheduled way cadres at all levels. Under the circumstances of the new technological situation, the vigorous launching of continued education for the cadres will definitely succeed in cultivating for the party generations of new leading cadres at all levels and making great contributions to the motherland's socialist modernization cause.

CSO: 4004/9



OPEN UP NEW FIELDS IN THE THEORETICAL STUDIES ON LITERATURE AND ART

Beijing RED FLAG in Chinese No 21, 1 Nov 84 pp 39-41

[Article by Zheng Bonong [6774 0130 6593]]

[Text] Theoretical work on literature and art over the past few years has seen some achievements. If we talk about its shortcomings, it is my opinion that one acute problem lies in the fact that theory is still clearly out of touch with reality. China's towns and countryside are at present undergoing a profound reform, and changes are occurring in the lives and minds of the people; literature and art work is facing many new situations and problems, but we have not studied anywhere near enough on this, to the extent that theoretical workers lag far behind the development of the whole of literature and art. Our goal is to build a rich socialist literature and art with Chinese characteristics. How, then, should we go about building such a literature and art, and what rules does it follow? All of these things must find theoretical answers. Only by finding scientific answers to these questions can theoretical work play its proper function.

Some comrades have put forward the view that the methods of theoretical study should be changed, and styles of study should be diversified. I support this view. I feel that there is another important point: The sphere of study should be broadened. It is of course highly important to study the works, artistic performances, and paintings of artists. But is it possible to widen our horizons somewhat on this basis? Marx often made use of the concept of "artistic production." Art has a dual nature: On the one hand, it is a form of independently creative spiritual labor, which must be carried out through the workings of an individual mind, so that the main part of this sort of production is of course a writer or artist with his own individuality; and on the other hand, it is also a socialized spiritual labor, which must be carried out within specific social relations, and be regulated by all the various needs and interests of society. Therefore, literature and art theory, as the study of literary and art production, has not only to analyze the creative process of a writer or artist, and analyze his artistic works, but ought also to study all the links in artistic production. Only in this way can a full and profound grasp of the objective laws of artistic production be achieved, blindness minimized, and socialist literature and art be allowed to enter the realm of freedom.

At present, the literary and art world is turning its hand to carrying out the reform of the literature and art system. It has always been recognized that the system has extremely important significance to the development of literature and art. In that case, is it possible for the question of the system of literature and art to enter the halls of theoretical research? There are at present any number of different associations and study groups in the world of literature and art, but in the sphere of the system of literature and art, not only is there no special organ of research, but hardly any study articles have been written. As far as I know, not one single academic department has yet made the study of the literature and art system a special topic for scientific research. This situation is clearly unsuited to the cause of literature and art. Some comrades may perhaps say that the system represents an issue of concrete facilities, and not a theoretical issue. I feel that the literature and art system is both a pressing and real problem, and a highly complex theoretical question. Marx said: "The spiritual production suited to the capitalist mode of production is different from the spiritual production suited to the mode of production of the Middle Ages." ("Complete Works of Marx and Engels," Vol 26, p 296) In the same way, socialist artistic production is different from that of past ages. The difference is manifested not only in the world view and artistic temperament of the artists themselves, but in the ideological content and artistic form of the works they produce, and in the social organization, management and supervision of these works and in the way in which they are disseminated. The socialist system of literature and art cannot be formulated according to the subjective whims of any one person, but has its own objective laws which are not subject to individual subjective will. Only by carrying out reform through obeying these objective laws can a literature and art system take the road to gradual perfection. At present, it can be clearly seen that the reform of the literature and art system cannot go ahead without the guidance of scientific theory. What is the Western system of literature and art like? And what about that in the Soviet Union and Eastern Europe? Or that of old China? And what about China's present system; what are its merits and demerits? What are the laws of development of artistic production, and of the development of socialist literature and art? All these questions require systematic, intensive examination and study.

In addition, diligent research into the subject of the relationship between social needs and artistic production is necessary. People often say that the aim of socialist artistic production lies in satisfying the constantly increasing cultural needs of the people. In the new historical period, the cultural needs of the people are constantly growing and changing. What we mean by "constantly growing" is not only a growth in terms of quantity but even more in quality. Economic work needs to stress forecasting, and this is just as true with cultural work. Of course, artistic forecasting cannot be as specific as economic forecasting, but it is still possible to forecast general developmental trends and scale. The basis for these forecasts must be the needs of socialist modernization, the cultural needs of the people, the subjective conditions of the artistic troops, and the state's manpower, material strength, and financial resources. With the development of socialist modernization, the progress of the urban and rural economic reform, and

the further implementation of the open door policy, with the improvement in the people's living and cultural standards, what changes have taken place in the people's cultural needs, and what new needs may arise, which of these needs will become more heightened, and which will decrease commensurately? What new contradictions will we face, and what new problems will be come across? All of these questions must be predicted, and can be predicted. In the past, the Chinese peasants, and in particular those of the Han nationality, had cultural lives centered mainly on watching opera. Operas constituted their main artistic food, and an important source of their historical and cultural knowledge. Over the last few years, the rural areas have gradually become more modernized and intellectualized, so that the peasants not only watch opera, but also want to read novels, watch television and films, and listen to music. The uniformity of their artistic lives is becoming a thing of the past. In some areas, peasants have bought pianos, and organized wind ensembles, poetry societies, and art exhibitions. All of this was unthinkable only a few years ago. According to statistics, there are at present 3,440 artistic troupes in the whole of China, of which over 2,000 are opera troupes, around two-thirds of the total. Over 90 percent of troupes below county level are opera troupes. This situation is suited to the past level of mass material and cultural life. Is this arrangement of artistic troupes still suited to the cultural needs of the people today? And how will it develop in the future? It will not do to not study these questions. In short, our artistic construction should be based on scientific survey and prediction. Our literature and art theories should make their own contributions to scientific predictions.

Some comrades may perhaps say that everything I have discussed above constitutes the "external laws" of literature and art, and should be taken into consideration by comrades taking part in other work, such that it is unnecessary for those workers involved in literature and art theory to study them. It is my feeling that the above questions are indeed ones little touched on by literary and art theory workers in the past, but they nevertheless have great bearing on the development of literature and art. Literature and art theory workers should voluntarily take up this burden. The study of the literature and art system, social needs, and other such questions, belongs in a certain sense to the border regions between the study of literature and art on the one hand and economics on the other, and between aesthetics and social studies. This border subject has opened up new spheres of research, and inspires people to look at questions from a new point of view. Therefore, it can often promote new and important breakthroughs in scientific research. The development of modern psychology levelled a massive attack on the study of literature and art. The so-called psychology of literature is actually an amalgam of literary study and psychological research. Marxist literary theory on the other hand actually discusses ideology in isolation from ideology and literature in isolation from literature, instead of examining literature against a rich background of human social practice, and thereby revealing the objective laws of literary and art development. Some comrades have already taken notice of the following thought-provoking phenomenon: Marx' aesthetics are expounded for the most part not in his philosophical works, but in his political and economic works. He often examined artistic and material production in combination.

I feel that our research into border sciences intimately connected with literature and art is not too copious, but too scarce. More of this sort of thing will bring more life to literature and art research.

Of course, my above proposal to expand the scope of literature and art theoretical research by no means negates traditional literature and art research. However, there is a need for the division of such research into such issues as the literature and art system, artistic and social needs, and so on, and not enough attention has been paid to this as yet, to the extent that such questions are not even part of the study of literature and art. Therefore, at risk of scorn and criticism, I would like to bring this subject to the attention of the comrades involved.

CSO: 4004/9

## AN INTRODUCTION TO THE 'CONTEMPORARY CHINA' BOOK SERIES

Beijing RED FLAG in Chinese No 21, 1 Nov 84 pp 41-42

[Article by Wu Jiaxun [1702 1367 3800]]

[Text] The "Contemporary China" book series has begun to come off the press. Now, "Contemporary China's Economic Structural Reforms" and "Contemporary China's Meteorological Undertakings" have already appeared in our bookstores. This year, everybody will also see several volumes expounding on contemporary China's technology and art, textile industry, light industry, and sport undertakings. It is estimated that around 200 volumes of the "Contemporary China" book series will come out one after another in the next few years.

The work of compiling the "Contemporary China" book series was proposed by, and has been carried out under the direct concern of, the CPC Central Committee. In May 1982, Comrade Hu Qiaomu put forth the idea that we should summarize those of our historical experiences in all fields since the founding of the PRC having scientific value, and should compile a certain number of monographs. In November, the Secretariat of the party Central Committee made a formal decision concerning the compilation and publishing of the "Contemporary China" book series. This book series is principally aimed at expounding and demonstrating the achievements, setbacks, and experiences and lessons of various departments and various areas in their construction. The book series is a series of special histories that reflect the process and law of the development of construction of our country's various fronts; and among them, there are some other books which deal with comprehensive problems and are not confined to a particular section or aspect.

China has more than 4,000 years of written history. During this long history, there emerged periods in which our country was powerful and prosperous, our society was stable, and our civilization was magnificent. However, none of them can be mentioned in the same breath as contemporary China. From generation to generation in the old China, people were in the position of being ruled and of being enslaved. Only in contemporary China--the PRC, can our people for the first time become the masters of the country and society. Under the guidance of Marxism-Leninism-Mao Zedong Thought, the CPC has led the people of the whole country to achieve the victory of the new democratic revolution, and has ushered in a new epoch in Chinese history.

After the founding of the PRC, in a short period of only 7 years, our party led the people of the whole country to smoothly achieve the transition from new democracy into socialism, and to basically set up the system of socialism. It was the most profound and the greatest social reform in our Chinese history. We committed quite a few mistakes later in our construction of socialism and even landed ourselves in predicaments, because we were divorced in certain aspects from the actual economic and political situation of our country and because we deviated from the principles of Marxism-Leninism in our guiding ideology. The 3d Plenary Session of the 11th CPC Central Committee reestablished our correct ideological and political line and switched the focus of the work of the whole party onto socialist modernization. In a little over 5 years, we have already found the path for constructing our socialism with distinctive Chinese characteristics and have already opened up the way to a bright future. Generally speaking, in the new China, both the development of our society and the advance in our history, and the prosperity of our various undertakings and the unity of our people are unprecedented. How much is the research into these worth devoting our time to! The "Contemporary China" book series is precisely a complete set of works studying the history of the PRC, and can roughly reflect all the features of our historical development over the last 30 years and more.

The line, principles, and policies of the 3d Plenary Session of the 11th CPC Central Committee, the resolution of the 6th Plenary Session of the 11th CPC Central Committee, and the documents of the 12th CPC National Congress have provided us with clear and definite guiding thoughts for the compilation of the "Contemporary China" book series. They have required us to write, in the light of a scientific attitude, the experiences of our success as well as the lessons of our setbacks. As long as we adhere conscientiously to the spirit of seeking truth from facts and to the spirit of emancipating our minds, we can certainly summarize our history in a scientific way. As the writers of all the volumes are leading comrades in the long-term work on all fronts and specialists of all trades and professions, and as they have gone through successes and setbacks again and again in their respective posts, it is comparatively easy for them to see clearly the rights and wrongs of various aspects of our construction over the last 30 years and more. Without the least exaggeration, we can say that we now have the best environment and the most favorable conditions for studying and writing about the history of contemporary China. This history is first of all the history of Chinese socialist construction. Our economic construction is fundamental among all the various undertakings of socialist construction. In the stage of socialism, our fundamental tasks are precisely to do a good job of economic construction and to develop our productive force. Therefore, most of the books in the "Contemporary China" series are concerned with our economic construction. It is precisely in this aspect that we can find its important characteristics.

To write a history is a solemn scientific work, and, in particular, it requires us to have abundant and reliable materials as the basis for writing. At present, quite a lot of old comrades on all fronts are still alive and in good health and this is very favorable for us in compiling the "Contemporary China" book series. They may provide us with valuable material and opinions.

Everybody knows that the "Historian's History" narrated the affairs of 3,000 years, but only the history of around 100 years after the founding of the Han Dynasty was written most exhaustively, while the history prior to the Spring and Autumn Period had many gaps and omissions or was not elaborately written. "Zuo's Narration on the History of the Spring and Autumn Period" narrated affairs within a period of 240 years and also consisted of a summary at first and a detailed account of affairs later. This is because the nearer the time, the easier to collect materials. From these examples, we can see that compiling the "Contemporary China" book series is an urgent task and that should not lose the opportunity. Promptly and satisfactorily compiling and publishing this book series will undoubtedly, because of its abundant and accurate contents and accurate scientific value, promote our socialist modernization at present and in the future. Even though people's writing skill varies, as long as the series includes abundant and reliable material and can stand the test of time, it will certainly be worth handing down to our descendants. Posterity may rely on this book series to further deepen their study of the history of the pioneering work in building Chinese socialism.

The compilation and publishing of the "Contemporary China" book series is of great and profound significance. The broad ranks of cadres and youths may receive from it education in patriotism, socialism, and basic knowledge of the specialized subjects, and all foreign people who have concern for China can also use this book series to improve their understanding about socialist new China. The book series will promote the study of the contemporary history of our country and will lay a solid foundation for further compiling and revising the history of the PRC. It will provide valuable historical experiences for us in constructing a socialism with distinctive Chinese characteristics and in achieving the great goal of modernizing our country. We can foresee that as time goes by, the significance of compiling the "Contemporary China" book series will become increasingly clear.

CSO: 4004/9



## HAVE A CORRECT UNDERSTANDING OF TWO KINDS OF SUPPLEMENTS TO THE SOCIALIST ECONOMY

Beijing RED FLAG in Chinese No 21, 1 Nov 84 pp 43-44

[Article by Zhong Yan [6988 1484]]

[Text] Our country's constitution stipulates: The foundation of the PRC's socialist economic system is the socialist public ownership of the means of production, namely, the ownership by the whole people and the collective ownership by laboring people. The economy owned by the whole people is a dominant force in our national economy. Various forms of collective economy are the economy of the collective ownership by the laboring people. Within the scope stipulated by the law, the individual economy of urban and rural laborers is a supplement to the economy of socialist public ownership. We allow foreign enterprises and other foreign economic organizations to invest in China in accordance with the regulations of the law of the PRC and to carry out various kinds of economic cooperation with enterprises or other economic organizations in China.

The report to the 12th CPC National Congress points out: Socialist state-run economy occupies a dominant position in the whole national economy. For a very long time, it is necessary for various forms of economy to exist simultaneously. In both our rural and urban areas, we should encourage laborers' individual economy to properly develop within the scope stipulated by the state and under the administration of government industrial and commercial departments and we should regard it as a necessary and useful supplement to the public-owned economy.

Enterprises of joint foreign and Chinese investment, enterprises of cooperation between China and foreign businessmen, and sole-proprietor enterprises set up by foreign businessmen in China are also a necessary and useful supplement to our country's socialist economy. Comrade Deng Xiaoping points out: "China is adopting an open-door policy and allowing some capitalists to enter it. This is regarded as a supplement to the development of socialism and will be conducive to the development of the socialist productive forces. For example, allowing some foreign capital into Shanghai does not mean that the capitalist system will be implemented throughout Shanghai."

At present, the individual economy and the foreign capital that we have drawn in from abroad only account for a very small percentage in our national economy. The socialist publicly owned economy has an absolutely superior position. For example, in 1982 and 1983, socialist publicly owned industry accounted respectively for 98.9 percent and 99 percent of the gross industrial output value of the whole country. As for the gross agricultural output value of the whole country, the publicly owned sector contributed 65.3 percent in 1982 and 76 percent in 1983. The retail sales of publicly owned commerce accounted for 92.7 percent in 1982, and 88.7 percent in 1983, in the total retail turnover of social commodities. Since liberation, we have carried out large-scale economic construction in a planned manner. In 1949, the fixed assets in our industry totaled only 12.4 billion yuan. In the period from 1950 to 1983, we invested a total of nearly 1,000 billion yuan in capital construction, additional fixed assets and floating funds in our industrial units owned by the whole people. Comrade Deng Xiaoping said: The socialist economy is predominant in our country and the economic foundation of socialism is so sound that even though the foreign capital that we have drawn in amounts to tens or hundreds of billions of yuan, it will not be able to shake the foundation of socialism.

One of the serious results of the destruction of the 10 years of the "Great Cultural Revolution" was the shortage of job opportunities for a large number of youths in our cities and towns. The number of job-awaiting youths was about 20 million. Subsequently, the number of job-awaiting youths increased year by year. What method shall we adopt to solve this problem? Should the state take up the burden of providing jobs for all of them, or should we adopt the method of enterprises owned by the whole people absorbing some of the youths, collective enterprises absorbing another portion of the youths, and the rest of the youths finding employment through developing individual economy? The reason for choosing the latter method is easy to understand from our personal experience. The level of development of our social productive forces is not high and the economic development of various areas is uneven. We have many things to do which the state cannot do if it wants to do them alone. Our state has adopted a positive policy and encouraged the job-awaiting youths to find jobs in the individual economic sector. By so doing, it has not only reduced the burden on itself, but also provided convenience for the livelihood of the people and stabilized social order. Obviously, this is a favorable policy. As for drawing in foreign capital and allowing foreign businessmen to get the share of profits allowed by our law in accordance with contracts, of course they get their share of the benefit. However, we ourselves can use this method to make up the shortage in our construction funds and at the same time, by so doing, we can introduce advanced technology, equipment, and methods of administration and management. The benefits in these areas are also very clear.

The social conditions for the emergence of the individual economy and the drawing in of foreign capital now differ diametrically not only from those in old China but also from those before the socialist transformation of the private ownership of means of production. The individual economy of old China and before the socialist transformation was the outcome of thousands of years of private ownership. Our country's present individual economy is

linked with socialist public ownership and is subordinate to the socialist economy. Old China suffered from the aggression of international imperialists, who encroached on our country's sovereignty and robbed it of its resources, and who invested in China, established factories and mines, were engaged in various kinds of undertakings, and cruelly exploited and oppressed the Chinese people. After the founding of new China, some of those foreign enterprises were confiscated entirely, others were taken over for our use, and still others were forced to move away. By the time before the socialist transformation the kind of foreign enterprise that marked the semicolonial nature of society in our country did not exist in the mainland. Since the 3d Plenary Session of the 11th CPC Central Committee, the state has formulated a policy to allow individual economy to exist and develop, and helped individual firms in the spheres of resources, market, funds, and taxation. Moreover, our constitution also clearly stipulates and protects their legitimate rights. As long as our managerial work can catch up with the development of the situation, we will be able to make the individual economy an adjunct of our socialist public-owned economy. As for the emergence of and the future proper increase in foreign capital, this is the consequence of a policy that our country has independently formulated as a sovereign state. It is entirely different in nature from the foreign capital in old China, which was the consequence of old China losing its sovereignty and accepting humiliating conditions. Our constitution clearly stipulates: "Foreign enterprises and other economic organizations, and enterprises of joint Chinese and foreign investment in China must all observe PRC law. Their legitimate rights and interests are protected by PRC law." In our external economic contacts, we will gradually accumulate experience and improve our competence in order to attain real equality and mutual benefit.

Allowing, encouraging, and protecting the development of the individual economy within the scope allowed by our law and drawing in foreign capital is a major policy that has been adopted by our party and state since the 3d Plenary Session of the 11th CPC Central Committee. The correctness of this policy has already been, and will continue to be, proved by our practice.

CSO: 4004/9

WHY DO WE SAY THAT THE CHIEF CRITERION FOR TESTING THE SUCCESS OR FAILURE OF A REFORM IS WHETHER IT HELPS DEVELOP THE FORCES OF PRODUCTION?

Beijing RED FLAG in Chinese No 21, 1 Nov 84 pp 44-45

[Article by Ji Si [7162 1835]]

[Text] This is because the development of society's forces of production represents the most basic task of the socialist stage, and the basic aim of our reform. Everyone knows that material production is the basis of all social existence and development, including socialist systems, and the forces of production constitute the most lively and revolutionary factor in this. Change in the relations of production must be based on the development of the forces of production, and must be in line with the development of the forces of production. Lenin pointed out: "All phenomena in the natural world are based on material causes, and in the same way, the development of human society is dictated by the development of material forces, that is, the forces of production." ("Selected Works of Lenin," Vol 1, p 88) In a country such as ours, in a basically backward economic and cultural state, following the establishment of a socialist system, the development of the forces of production has even more primary significance. This is because only by greatly developing the forces of production and changing the poor, backward face of our country, and creating high labor productivity, can the advantages of the socialist system become fully clear. Just as Lenin said: "The labor productivity rate is basically the most central issue in guaranteeing the victory of a new social system." ("Selected Works of Lenin," Vol 4, p 16) As the most advanced and rational social system so far in the history of mankind, socialism shows its merits most concentratedly in its ability to constantly improve the material and cultural living standards of the whole people. To this end, it is necessary not only to abolish the exploitative system, to establish the system of public ownership of the means of production, and to carry out the principle of distribution according to work, but also to make great efforts to develop the forces of production, promoting the constant advance of production technology and the constant rise of productivity. During the socialist period it is necessary to develop science, education, and other cultural spheres, and to build a high degree of socialist spiritual civilization. This is an important condition for both the development of the forces of production and the building of material civilization, and has as its base the constant development of the forces of production. In brief, only with the large-scale growth of the forces of

production is it possible to achieve prosperity for the nation and its people to gradually eliminate all the great social differences and inequalities which come about as a result of insufficient growth in the forces of production, and to create conditions for the communism of the future. Therefore, concentrating forces to carry out economic construction, to achieve the four modernizations, and to constantly develop the forces of production constitutes the demand of history and the desire of the people, and is the aim behind all our reforms. The reason reform is necessary is precisely that some of the concrete links in our relations of production and superstructure are not suited to the demands of the forces of production, and only by reforming the backward economic management system and methods, and fully mobilizing the initiative and creativity of enterprises and laborers, can we effect the speedier development of the forces of production.

From a historical point of view, way back at the time of the democratic revolution, the CPC used the question of whether or not production forces would be helped to develop as the main criterion by which to examine the correctness or otherwise of all their policies. In 1945, Comrade Mao Zedong pointed out: "Ultimately, the merit and importance of all of China's political party policies and the function they perform in practice among the Chinese people may be decided by whether or how much they help the development of the Chinese people's forces of production, by whether they hinder or liberate these forces of production." ("Selected Works of Mao Zedong," Vol 3, p 1028) The reason the overall line and the various specific policies adopted by the CPC during the new democratic revolutionary period were so enthusiastically supported by the people was ultimately that they started with the basic aim of liberating and developing the forces of production. Following the founding of the country, the socialist transformation of agriculture, handicraft industries, and capitalist industry and commerce had as its precise aim the development of the forces of production, in methods and steps attention was also paid to helping this development, and a whole series of transitional forms was adopted, thereby achieving massive successes. The problem was that following the basic completion of the socialist transformation, due to "leftist" mistakes, the relations of production were transformed with no regard for the state of development of the forces of production; "large size and communality" were pursued blindly, along with the monolithic structure of the public-ownership system, with the result that the development of the forces of production was not promoted but hindered. By the time of the "Cultural Revolution," a whole lot of absurd theories like "the theory of the unique importance of the forces of production," which fundamentally violated the theory of historical materialism, greatly damaged and hindered the development of the forces of production.

Since the 3d Plenary Session of the 11th CPC Central Committee, the CPC has summed up the positive and negative lessons of history and has taken the development of the forces of production as our most basic task, and as the most important criterion by which to test the rationality of the various concrete systems in the relations of production and the superstructure, using this to decide upon its reforms, without following any model or subjecting itself to any old rules and regulations. The rural reform was of this nature, and that is why it achieved such great things. Facts have

proved that only by continuing to use the criterion of whether or not the forces of production are helped to develop as the main factor in deciding on the success or failure of reform can we guarantee the smooth progress and ultimate achievement of this reform. We must also remember this important experience in the coming urban reform.

CSO: 4004/9

WILL ENTERPRISES OWNED BY THE WHOLE PEOPLE CHANGE THEIR NATURE OF OWNERSHIP BY THE WHOLE PEOPLE AFTER THEY OPERATE INDEPENDENTLY AND ASSUME SOLE RESPONSIBILITY FOR PROFITS AND LOSSES?

Beijing RED FLAG in Chinese No 21, 1 Nov 84 pp 46-47

[Article by Shi Dazheng [2457 6671 2398]]

[Text] For a long time now there has been a certain viewpoint popular among economists that the ownership rights and management rights of whole-people-owned enterprises cannot be separated and that state-owned enterprises must be run by the state. Under the influence of this viewpoint, some comrades still suspect that the autonomous operation and sole responsibility for profits and losses of whole-people-owned enterprises may change their whole-people-owned nature. We may state a clear answer: No.

First, it is possible to separate ownership rights from management rights. As everyone knows, the system of ownership of the means of production not only involves the ownership of the means of production, but the rights of organization and use of these means of production. The ownership of the means of production refers to the right of a person or group to dispose of the means of production in his possession, including the sale, transfer, or personal use of these means of production. The rights of control and use of the means of production, roughly speaking, mean the management rights of which we often speak. For an enterprise, these management rights are to what we refer.

Historically, ownership rights and management rights have been linked, but there have also been many examples of them being separated. Strictly speaking, the two rights are only completely linked in the case of independent small producers. In socialized mass production they are always separate to a greater or lesser extent. Marx said that when currency is loaned as capital, "the ownership rights stay with the lender, while the rights to dispose of the currency are transferred to the commercial capitalist." The appearance of stock companies made "functioning capitalists into simple managers, that is, managers of other people's capital; while the owners of that capital are changed into simple owners, that is, simple currency capitalists." ("Complete Works of Marx and Engels," Vol 26 (III), p 506; Vol 25, p 493) This then makes the separation of ownership and management rights in a capitalist enterprise a widespread phenomenon.



Ownership and management rights may also be separated in a socialist whole-people-owned enterprise, even though they are separated under different conditions than in a capitalist society. Therefore, the state can keep the ownership rights to a whole-people-owned enterprise in its hands while giving the enterprise the right to independent, autonomous management and sole responsibility for profits and losses.

Second, the decisive factor in the nature of ownership of an enterprise is the ownership rights to the means of production. In ownership and management rights, the ownership rights are basic and the management rights are subordinate to the ownership rights. The nature of ownership of an enterprise is decided mainly on the basis of its ownership rights, not its management rights. As long as there is no fundamental change in the nature of ownership of an enterprise, then there can be no fundamental change in the nature of the enterprise. Capitalist share companies by no means change the nature of their system of ownership merely because their management rights are shifted into the hands of managers.

After the system of autonomous management and sole responsibility for profits and losses is introduced in China's whole-people-owned enterprises, the means of production of these enterprises will still belong to the state, not to each enterprise. This is the basic guarantee that the nature of ownership of whole-people-owned enterprises will not change. For example, the State Council's "provisional regulations on the further expansion of the autonomy of state-run enterprises," published in May this year, contains the ruling that "an enterprise has the right to lease or transfer surplus or idle fixed assets." This shows that enterprises have the right of control over their fixed assets. At the same time, there is also the rule that "when high technology or precision equipment coming under the management of the higher authorities is leased or transferred, this must be authorized by the higher authorities. Income gained from this leasing or transfer must be used for technological transformation or renewal of equipment." This shows that the ownership rights of these fixed assets still belong to the state, and that the nature of the enterprise's ownership does not change.

Third, the independent management of whole-people-owned enterprises is relative. In other words, the enterprise cannot carry out completely free management in isolation from the unified leadership of the state. This is shown mainly by the following: 1) The enterprise must respect the laws of the state and its various financial and economic rules; 2) the enterprise must obey the state plans, while the state uses various legal and administrative means and mainly makes use of the law of value and economic levers to encourage the enterprise to fulfill the state plans; 3) the main leader of an enterprise must be appointed by the state, through election or selection; 4) the state can decide the enterprise's construction, closure, cessation of operations, merger, or transfer to other production. All of this guarantees that the nature of ownership of a whole-people-owned enterprise will not change once it begins to practice independent management.

Fourth, the responsibility for profits and losses of a whole-people-owned enterprise is also relative, and different from that in collectively owned

enterprises. Once they have paid their due taxes to the state, collectively owned enterprises may keep the surplus profit entirely for themselves and must take full responsibility for any losses. Whole-people-owned enterprises, however, are different. First, profits or losses created by nonmanagement factors such as differences in technological equipment or materials, geographical location, or irrational price systems, are in principle the business not of the enterprise, but of the state. Profits made on the basis of such factors must be handed over to the state through commodity taxes, natural resources taxes, or regulation taxes. Losses similarly incurred must be compensated for by financial subsidies or tax cuts. Second, profits made through good management of an enterprise must be given in part to the state through income tax, calculated at a fixed taxation rate of 55 percent for large and medium-scale enterprises, and calculated at the new 8-grade taxation system for small-scale enterprises. The above shows that most of the net profit created by a whole-people-owned enterprise must go back to the state, which clearly shows the whole-people-owned nature of these enterprises.

Though the independent operation and sole responsibility for profits and losses of whole-people-owned enterprises will not change the nature of their ownership, it will indeed effect a profound change in the relations of the ownership system. This change is a positive one, in that it increases the enterprise's vitality and thereby benefits the consolidation of the socialist system of ownership by the whole people and promotes the prosperity of the urban economy.

CSO: 4004/9

HOW SHOULD WE LOOK AT THE VIGOR OF ENTERPRISES? WHY SHOULD WE INVIGORATE ENTERPRISES?

Beijing RED FLAG in Chinese No 21, 1 Nov 84 pp 47-48

[Article by Chen Ming [7115 2494]]

[Text] The invigoration of enterprises, enabling them to give play to their own enthusiasm and initiative in socialist construction, is the central link in establishing a completely vital economic system which can promote the development of the forces of production. What, then, is this vigor?

Roughly speaking, it is this: An enterprise, under the guidance of state policies and plans, which can in the light of the changes in its environment constantly produce salable commodities to satisfy social needs, and constantly innovate and adopt on its own initiative new technologies, make itself more competitive, and survive and develop using its own strength. To take industry as an example, the vigor of an enterprise is manifested mainly in the following four aspects:

1. The enterprise can respond to changes in market needs and carry out the necessary production.

With the development of production, the improvement in the people's lives and the constant expansion in the scope of commodity exchanges, domestic and international markets are frequently subject to change and development, which in turn requires that enterprises can correctly grasp all the various pieces of information concerning market changes, can predict market trends, and can promptly form corresponding plans, readjusting their own production and development plans, and effectively organizing production management. Only through such foresight in socialist commodity production and exchange can an enterprise have vigor.

2. The enterprise can constantly innovate, open up new markets, and make itself competitive.

With the development of production and the progress of science and technology, the whole of society constantly makes new demands on industrial products in terms of both quality and variety, and a vigorous enterprise does not react passively to the market, but instead opens up new production spheres and new markets. To this end, the enterprise must organize its

technological forces and constantly adopt new technology for research in and development of new products. At the same time, it must also constantly improve old products, and upgrade them, promptly abandoning those old products which are unpopular with consumers or which are unsuited to current scientific and technological developments, so that the enterprise remains highly competitive always. The more products suited to social needs which an enterprise can produce, the more lively and vigorous it becomes.

3. The enterprise can carry out its own technological transformation, promote technological progress, and effect the constant expansion of reproduction.

The enterprise represents a cell in the national economy, and it should have the capacity to carry out renewal and constant development. Therefore, the enterprise should be able, within the scope permitted by state policies, to utilize its own accumulated strength to carry out expanded reproduction. A vigorous enterprise must have the courage to accept the challenge of the world's new technological revolution, to promptly introduce the newest fruits of current scientific and technological developments, to adopt equipment and techniques of the most advanced international standards, to adopt new energy resources and materials, to constantly carry out technological transformation, and, relying on its own strength, to shift the enterprise's production onto a basis of new, advanced technology, so as to increase its capacity for expanded reproduction.

4. The enterprise can constantly improve its economic performance, providing more funds for national construction, and gradually increasing the income of its employees.

The production process of an enterprise constitutes both the process of transforming materials and the process of moving funds. An enterprise's vitality depends not only on whether its products satisfy social needs, but on whether its capital expenditures are low and its profits are high. In the present stage in China, the law of value still exercises a regulatory role in the spheres of production and circulation, and only by working hard to cut material consumption and economize on manpower and financial power can an enterprise pay more taxes to the state and increase profits for the enterprise itself, and thereby create better material conditions for the development of production and the improvement of its employees' lives. In order to do this, the enterprise must strengthen management over materials and labor, constantly cutting down on material consumption and production schedule time; it must carry out the lively use and control of funds, and constantly improve the utilization rate of fixed assets and speed up the circulation period of funds, constantly lessening the proportion of funds used. A vigorous enterprise is one which consumes little, has little capital, and high economic performance.

An enterprise needs to have full vitality; this is dictated by the status and function of an enterprise in the whole of social production and circulation. The industrial enterprise is the basic production unit of the national economy, and a profit-making economic organization taking part in

production. Its basic task is to provide industrial products or services for society. It must both provide modernized materials and technology for other sectors of the national economy, and act as the provider of the basic materials for the material and cultural life of the whole of the nation's people, and the main provider of funds for the socialist construction. At the same time, in conditions in which commodity production and exchange exist, the enterprise, as an independently operating, independently accounting, relatively independent producer of commodities is also the basic force behind the development of the socialist commodity economy. Only by providing a large quantity of goods can an enterprise make the socialist market a prosperous one. Therefore, the invigoration of enterprises is also the basis for doing a good job of commodity circulation. By invigorating enterprises, we can make the whole of socioeconomic life more vigorous and more prosperous.

An enterprise is also the assembly point for staff and workers. Staff and workers are the masters of the state and the enterprise, and the source of an enterprise's vigor. Only by invigorating an enterprise can we fully mobilize and bring into play the enthusiasm and initiative of the broad masses of staff and workers as masters of the enterprise, and fully exploit the role of laborers in production, thereby fully exploiting the advantages of socialist enterprises.

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## WELCOMING SUBSCRIPTIONS TO RED FLAG IN 1985

Beijing RED FLAG in Chinese No 21, 1 Nov 84 outside back cover

[Text] RED FLAG is a comprehensive political theory publication sponsored by the CPC Central Committee. Its tasks are, on the basis of an editorial policy of linking theory with practice and proceeding from the service of socialist modernization, to propagate the basic principles of Marxism-Leninism-Mao Zedong Thought; to explain and expound the theory of the party's line, principles, and policies; and to expound and explain the new situation and new problems in the practice of China's socialist modernization.

Since the 3d Plenary Session of the 11th CPC Central Committee, RED FLAG has gradually improved in content and in form. Besides publishing key articles in the theoretical and ideological fields, it has started over 10 special columns including Cadre's Theory Study, Ideological Commentary, Economic Commentary, Literature and Art Commentary, International Commentary, Work and Research, Investigative Report, Answers to Questions, Notes on Readings, Book Review, and Digest of Articles in Local Party Journals. The articles in these special columns are generally aimed at different needs and different readers. They adopt various forms such as discussion, direct exposition, and explanations and thus they can be quite specific. The cover of RED FLAG also often reflects the new people and new situations in our nation's socialist modernization through color and black and white photographs and art works, and the arrangement is now more lively. These changes in RED FLAG's contents and form have been well received by the vast number of readers.

In 1985, RED FLAG is going to further improve the quality of its theoretical articles and commentaries. Using the basic principles of Marxism-Leninism-Mao Zedong Thought, it will explore the major theoretical problems in the political, economic, philosophical, historical, literature and art, education, natural sciences, international relations, and other fields, especially the important theoretical problems in the present reform of the economic system. In addition, it will also evaluate the various Western bourgeois ideological trends.

The target readership of RED FLAG is extremely wide. If they have a certain cultural level, people within and outside the party, the vast number of cadres in all industries and enterprises, and the masses can all read it.

Through RED FLAG, the readers can obtain beneficial assistance in fully understanding the party's guiding ideology; in raising their knowledge of the party's line, principles, and policies; in increasing their ability to differentiate right and wrong in important issues, and in other areas.

Since RED FLAG was established, it has been distributed both domestically and internationally. Domestically, it is distributed by post, and internationally, by the Chinese International Book Trading Corporation.

RED FLAG is a fortnightly publication, published on the 1st and 16th day of each month. There are 24 issues per year. Each issue will cost 0.26 yuan and a quarterly subscription will cost 1.56 yuan, while a yearly subscription will cost 6.24 yuan. In November, post offices all over the country will be soliciting subscriptions for 1985. We welcome units, collectives, and individuals to waste no time in going to their local post offices to complete subscription procedures.

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